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# China Report

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27 July 1983

## CHINA REPORT ECONOMIC AFFAIRS

No. 367

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## NATIONAL POLICY AND ISSUES

### JINGJI YANJIU DISCUSSES SUPPLY-DEMAND, PRICE REFORM

HK141109 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 83 pp 23-29

[Article by Wang Youngzhi [3769 3057 3112] of the Economics Department of Beijing University, and Wang Zhenzhi [3769 2182 0037] of the Finance and Trade and Supply Economic Institute of the Chinese Academy of Social Sciences: "Price and Supply-Demand--Also on the Determination of Value by the Socially Necessary Labor-Time in the Second Sense"]

[Text] For a long time, we have devoted much attention to the determination of value and overlooked the realization of value. On the matter of the determination of value, we attach importance only to the socially necessary labor-time of individual commodities, which does not take social needs into account as expounded by Marx in Volume 1 of "Das Kapital"; that is, the socially necessary labor-time in the first sense. We pay little attention to the necessary labor-time of the socially necessary total quantity of commodity varieties which takes social needs as the prerequisite as expounded by Marx in Volume 3 of "Das Kapital," that is, the socially necessary labor-time in the second sense. In fixing planned prices, we only attach importance to production cost and overlook social needs. This actually means cutting the connections between the determination and realization of value and between price and supply-demand. Theoretically speaking, this goes against Marx' original intention. In practice, this is inappropriate in that it encourages dislocations between production and demand, poor economic results and other evils through the price link. Thus, it is necessary for us to understand correctly the relationship between the determination and realization of value and between price and supply-demand according to Marx' original intention.

#### A. Value and Supply-Demand

In the past, it was generally held that value was formed in the sphere of production and had nothing to do with supply-demand. It was also held that supply-demand would only affect the realization of value, not its formation. Actually, on the premise of a balance between the supply and demand of commodities, or a correspondence between output and social needs, value is determined by the socially necessary labor-time, which takes the form of the weighted average of

the labor-time consumed in producing commodities under different conditions of production. On the premise of an imbalance between supply and demand, value is determined by the socially necessary labor-time which takes the form of the specific labor-time of commodities produced under poor or excellent conditions of production. The relation between supply and demand can regulate the conditions of production through price fluctuations and consequently affect the formation of value.

In order to illustrate this point, it is necessary to study the socially necessary labor-time in both senses. The value of a commodity is determined by the labor-time socially necessary for the production of that commodity. The socially necessary labor-time has two meanings. The first is the socially necessary labor-time of individual commodities. "The labor-time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time."<sup>1</sup> The second is the socially necessary labor-time of the socially necessary total quantity of commodities, or labor-time in which "only the necessary proportional quantity of the total social labor-time is used up in the various groups of commodities."<sup>2</sup>

There are different views on the relationship between the two meanings of the socially necessary labor-time and their respective relationship with supply-demand. One view holds that the socially necessary labor-time in the first sense forms value, whereas the socially necessary labor-time in the second sense affects the realization of value. Another view holds that the two meanings of the socially necessary labor-time jointly determine value. In our opinion, the socially necessary labor-time in the second sense is a big improvement on the first, although it is still not thorough enough. We believe that we must put forward in explicit terms that the socially necessary labor-time in the second sense is what determines the value of commodities. Actually, Marx had explicitly pointed out that "Value is determined not by the labor-time necessary in the case of any individual producer for the production of a certain quantity of commodities, but by the socially necessary labor-time; that is, by the labor-time required for the production of the socially necessary total quantity of commodity varieties on the market under the existing average conditions of social production."<sup>3</sup> "This quantitative limit to the quota of social labor-time available for the various particular spheres of production is but a more developed expression of the law of value in general, although the necessary labor-time assumes a different meaning here."<sup>4</sup> It can thus be seen that the socially necessary labor-time in the second sense is a further development of the first. Since the socially necessary labor-time in the second sense came into being, the socially necessary labor-time in the first sense could no longer determine the value of commodities.

We can also further analyze the relationship between them. First, the socially necessary labor-time in the first sense only takes into consideration the formation of value in the sphere of production and ignores the realization of value, that is, whether or not production corresponds to social needs and whether or not output corresponds to the socially necessary total quantity.

Theoretically, we may cast aside the question of the realization of value for the convenience of studying and analyzing problems. In actual economic life, however, the formation and realization of value are closely related and cannot exist independent of the production of circulating commodities. Besides, value that does not correspond to social needs can in no way be realized. The socially necessary labor-time in the second sense ultimately forms value and is realistic. Second, the socially necessary labor-time in the first sense refers to the weighted average of specific value under normal conditions of social production, that is, mediocre conditions of production. In reality, however, we have mediocre, poor, as well as excellent conditions of production. When supply-demand is balanced, the socially necessary labor-time (social value) is the weighted average of specific labor-times (specific values) consumed in producing commodities under different conditions of production. The specific value of commodities produced under the most predominant condition of production comes close to this weighted average, meaning that this specific value has the greatest impact on the formation of value. When supply-demand is not balanced, if market price rises above market value (social value) because of inadequate supply, with the result that the volume of commodities produced under poor conditions increases substantially rather than diminishes, market value (social value) will be regulated by the specific value of commodities produced under poor conditions. Conversely, if market price falls below market value because of excessive supply, with the result that producers who work under poor or even mediocre conditions go bankrupt and the proportion of commodities produced under excellent conditions increases markedly, market value will be regulated by the specific value of commodities produced under excellent conditions. The balance or imbalance of supply-demand directly affect changes in the socially necessary labor-time in the first sense. The criterion of balance or imbalance is whether output corresponds to the socially necessary total quantity, that is, whether it corresponds to the necessary proportional quantity of the total social labor-time. Thus, the socially necessary labor-time in the first sense is preconditioned by the socially necessary labor-time in the second sense and changes itself along with changes in the latter. At this point, the socially necessary labor-time in the first sense is no longer the average of specific values under mediocre conditions of production as expounded in Volume 1 of "Das Kapital." Rather, it is the average of specific values under different conditions of production. So the original meaning of the socially necessary labor-time in the first sense ceases to exist. Third, the socially necessary labor-time in the first sense and the socially necessary labor-time in the second sense do not stand on a par. They embody the relationship between the particular and the whole. As the total labor-time of the socially necessary total quantity of commodities, the socially necessary labor-time in the second sense is the product of the changed socially necessary labor-time in the first sense (the socially necessary labor-time of individual commodities) and the magnitude of the use-value of social needs. Thus, the socially necessary labor-time in the second sense contains the socially necessary labor-time of the first sense. The socially necessary labor-time in the first sense only plays a part in the determination of value. It does not jointly determined value side by side with the socially necessary labor-time in the second sense as an independent and integrated whole.

If we accept that the socially necessary labor-time in the second sense determines value, can we say that supply-demand determines value? No. The socially necessary labor-time in the second sense corresponds to the labor-time consumed by the socially necessary total quantity of commodities. This total labor-time is consumed in the sphere of production. It is not determined by supply-demand in the sphere of circulation. Of course, labor-time in excess of this is wasted and will not be accepted by society, but that is a question of value realization.

On the relation of supply-demand to value, supply-demand cannot determine value, but it can affect the determination of value in an indirect sense through its effect on production. This is mainly because changes in supply-demand can affect price, and price fluctuation can affect the proportional quantity of commodities produced under different conditions of production. This in turn will affect the weighted average and bring about changes in value. When there is serious imbalance between supply and demand, the proportion of products produced under poor or excellent conditions of production will increase sharply, so that market value is regulated by the specific values of products produced under these conditions. Thus, the question lies in whether or not supply-demand has affected the conditions of production and brought about considerable changes in output. If there are considerable changes in output, there will be changes in value. However, if there are no or very few changes in output, there will only be price fluctuations. Supply-demand can only regulate value after the conditions of production have been regulated through price fluctuation. It is still the sphere of production that plays the determinant role. This is in keeping with the labor theory of value and is essentially different from the "supply-demand theory" preached by the bourgeois economists.

#### B. Price and Supply-Demand

In studying the relation of price to supply-demand, it is necessary to acquire a clear understanding of supply and demand. Here, supply means the quantity of commodities supplied on the market. It refers to the current output produced under different conditions of production, not output which has undergone a change because conditions of production have been readjusted due to price fluctuations resulting from imbalanced supply-demand. Demand refers to the need for a particular commodity promoted by changes in the price of that commodity under conditions of a given ability of payment. It does not mean actual need or demand stemming from changes in the ability of payment. Actual need can be divided into production need and personal need. Production need is determined by the relation of the technological makeup to the division of labor and cooperation under given production and technological conditions. Personal need is determined by physiological need, the consumption pattern, the level of consumption, the number of consumers, and other factors under a given level of productivity. Price fluctuations in the general sense will not lead to changes in production or technological conditions or in the level of productivity. Thus, their effect on this kind of actual need is not great, or, shall we say, is indirect. Under existing conditions of commodity production, this kind of actual need is realized through cash purchase and must take

form of demand which is backed by a given ability to pay. This demand, backed by a given ability to pay, is what Marx meant by social need. It is essentially determined by the interrelation between different classes and by their respective economic status. Under capitalist conditions, it is determined primarily by the ratio of the total surplus value to wages and also by the ratios of different divided parts of the surplus value (profit, interest, rent, tax, and so on). Under socialist conditions, it is determined by the proportion between accumulation and consumption. These ratios or proportions are what determine the ability of payment of different classes, stratas, or social groups after society has compensated for the means of production consumed by the annual output. In other words, they are what determine the needs of these classes, stratas, or social groups which are backed by the ability to pay.

On the relation of price to supply-demand: In the first place, value determines price and price determines supply-demand. After this, supply-demand affects price and price in turn affects supply-demand. They affect and condition one another, but it is value that plays the decisive role. "The ratio of supply to demand does not explain the market value, but, conversely, the latter rather explains the fluctuations of supply and demand."<sup>5</sup> Provided that need backed by the ability to pay remains constant, if the value or price of commodities supplied changes, demand will change in the opposite direction to the price movement. When prices drop, demand goes up; when prices go up, demand drops. However, demand will also affect prices. When supply falls short of demand, prices soar; when supply exceeds demand, prices drop. If price exceeds value, producers can reap surplus value and will be willing to enlarge the scale of production. Consequently, capital or funds from other sectors will be diverted to this sector to build new enterprises, and supply will increase. If price is below value, producers will make fewer profits. Those who work under poor or even mediocre conditions will lose money. Consequently, the scale of production will be reduced, capital or funds will be diverted elsewhere, and supply will drop. If supply and demand coincide, price and value will also coincide. If supply and demand do not coincide, price and value will move in opposite directions. Supply-demand regulates the divergence of the market price from the market value, and the market value regulates fluctuations in supply-demand. Thus, the market price fluctuates around the market value. In reality, there can never be coincidence between supply-demand and price and between price and value. From the overall and long-term point of view, however, divergences of supply and demand will offset each other and they will gradually coincide. Coincidence of supply and demand will lead to coincidence of price and value.

As far as the quantitative relations between supply-demand and price are concerned, changes in demand and supply are elastic. Demand elasticity refers to the degree of the response of demand to price changes. Generally speaking, when prices drop, demand goes up; when prices go up, demand drops. However, for different commodities the extent of variations in demand resulting from a definite range of price changes is by no means consistent. In other words, demand elasticity varies from commodity to commodity. On the whole, daily necessities are less elastic than articles that are not for daily use; raw materials and energy products are less elastic than processed industrial goods;

products that have a great number of substitutes or are more substitutable are more elastic than products that have only a small number of substitutes or are less substitutable and which have specific functions; commodities which account for a small proportion of the expenditure of consumers are less elastic than those which account for a large proportion. Supply elasticity refers to the degree of response of supply to price changes. General speaking, when prices drop, supply decreases; when prices go up, supply increases. However, for different commodities the extent of variations in supply resulting from a definite range of price changes is by no means consistent. In other words, supply elasticity varies from commodity to commodity. On the whole, there is greater elasticity in products which are less affected by natural conditions, products which take a shorter time to produce, products which involve relatively simple production techniques, products in which an increase in output will not lead to a sharp increase in cost, and products which have a small number of substitutes or are not very substitutable. In products for which the converse is true, supply elasticity is small.

Having studied the elasticity of demand and supply, we can determine the range of price fluctuations. Under normal conditions, prices should not be allowed to drop below cost (strictly speaking they should not be below cost and general average profits), or below the added cost resulting from increased supply. When prices go up, they should not be allowed to exceed the extent of the drop in demand. Under exceptional circumstances, we may of course allow prices to drop below cost or to exceed the extent of the drop in demand so as to restrict production or consumption by means of the price lever.

### C. Price Reform and Supply-Demand

1. It is in keeping with the basic economic law of socialism, the law governing the planned and proportionate development of the national economy and the law of value to take supply-demand as the central issue in studying price reform.

Taking supply-demand as the central issue means integrating production with circulation and with consumption. Supply is associated with producers, demand is associated with consumers, and the association of supply and demand takes place in circulation.

The basic economic law of socialism requires us to carry out production to satisfy social needs. Production that does not correspond to social need goes against the aim of socialist production. The law governing the planned and proportionate development of the national economy requires us to distribute social labor, to distribute the fruits of labor, and to materialize labor value in a proportionate way according to a plan. All of these require a balance between supply and demand (including balanced supply and demand with regard to the means of production and the means of consumption). The law of value can regulate production, balance supply and demand, and impel enterprises to raise their technological level and improve management. The first and last functions are an extension of the second, that is, the function of balanced supply and demand. Changes in supply and demand affect price, and price changes



in turn affect supply and demand. It is through this process that the law of value regulates production. In other words, the law of value regulates the production ratio by regulating circulation. It is through competition in the supply-demand process that the law of value can impel the enterprises to raise their technological level and improve management.

We set great store by the question of supply and demand. We do not simply let the law of value regulate supply and demand spontaneously and dominate commodity production and commodity exchange as a whole. We must first of all strike a balance between supply and demand in a planned way. This is possible under the planned economy. Marx pointed out: "It is only where production is under the actual, determining control of society that the latter establishes a relation between the volume of social labor-time applied in producing definite articles, and the volume of social needs to be satisfied by these articles."<sup>6</sup> However, since the level of productivity is generally low at the present stage and the existence of multiple economic sectors have made it impossible to map out plans that are all-embracing, it is still necessary to rely on the market mechanism to regulate the supply and demand of certain small commodities, that is, to let the law of value regulate supply and demand spontaneously. The state can maintain a balance between supply and demand through planning, with regulation by the market mechanism playing a supplementary role.

The question of maintaining a balance between supply and demand is an important question in planned management. Under existing commercial conditions, it is necessary to rely on the form of cash price to strike a balance between supply and demand. Thus, how to make use of the price lever to strike a balance between supply and demand naturally becomes the central issue of price control. It cannot be said that we never paid any attention to the question of supply and demand in the past. We just did not give this question the attention it deserved and did not give too much thought to linking supply and demand. In actual work, we were inclined to consider price in the sphere of production and price in the sphere of circulation in isolation. We often found ourselves in a double squeeze because we failed to link properly the procurement price of agricultural products (the ex-factory price of raw and processed materials) with the ex-factory price of processed goods, the commercial wholesale and retail prices, and so on. We were unable to make good use of the price lever to bring about a balance between supply and demand.

If we take the question of supply and demand as the central issue in studying price reform, we may be able to make a breakthrough in our endeavor to create a new situation in pricing work and to invigorate this work. We are bringing up this question in the hope of arousing people's attention so that more people will join us in studying and probing this question.

2. Some questions concerning the study of price reform around supply and demand.
  - a. The question of fixing a planned price.

Under the conditions of simple commodity production or capitalist commodity production, value or price is spontaneously affected by the relation between supply and demand. Under the consideration the effect of supply-demand on value or price when we fix a planned price and do so consciously and with deliberate purpose.

Under the premise of a balance between supply and demand, value is determined by the weighted average of the labor-time consumed in producing commodities under different conditions of production. When supply and demand are not balanced, value is determined by the specific labor-time consumed in producing commodities under poor or excellent conditions of production. Here we come across concrete questions like how we are going to determine which commodities have balanced supply and demand and which have imbalanced supply and demand, how serious is the imbalance, how to determine the standards of excellent, mediocre, and poor conditions of production, and how to work out the output and proportion of production under various conditions. Some of these questions require discussion; some of them cannot be solved at the present stage because we do not have all the necessary data; and some need not be considered in detail. What we can do at the present stage is, first of all, to consider the cost of commodities produced under different conditions of production. Cost is the monetary expression of  $C$  plus  $V$ , the principal component of value. In the past, some comrades believed that the cost of production meant the medium cost under normal conditions of production and management, or the cost of production under mediocre conditions. We know now that this is not quite the case. The cost of production should be the weighted average of the cost of production under different conditions, that is, the average cost. With regard to commodities which have unbalanced supply and demand, we should take into consideration the disparity between supply and demand and compare this disparity with the quantity of commodities produced under various conditions. For example, if the quantity of commodities produced under excellent conditions is equal or close to the demanded quantity or constitutes a fairly large proportion of the demanded quantity (say over 80 percent), and supply exceeds demand by a fairly big margin, then we should take the cost of commodities produced under excellent conditions as the basis for fixing prices. If the quantity of commodities produced under poor conditions constitutes a fairly large proportion of the demanded quantity (say over 80 percent), and supply falls considerably short of demand, then we should take the cost of commodities produced under poor conditions as the basis for fixing prices. We should carry out sampling in representative enterprises to discover the quantity and cost of commodities produced under different conditions. These enterprises should be located in different regions and operated under different systems of ownership and in different scales.

After deciding on what condition of production to take the cost of as being the principal basis for fixing prices, we should consider the relation of price to supply and demand. In fixing a planned price in the past, we took value as the basis and policy as our guidance after giving due consideration to supply and demand. We did not put supply and demand in a very important position. The fact is, there is the impact of supply and demand in the determination of value, and there are problems of supply and demand in our policies. We should state in clearcut terms the need to give ample consideration to the ratio between supply and demand in fixing a planned price. In fixing prices for agricultural products, which are more easily affected by natural conditions, and for mineral products, we should pay particular attention to the ratio between supply and demand. When we consider the ratio between supply and demand in fixing prices, we should not merely consider the balance between products already produced and the demand for these products, that is, regulate circulation in order to guide consumption. What is more important is that we should

consider how we can regulate production by regulating circulation, and should concentrate our efforts on developing production and ensuring supplies.

b. The question of economic results.

We must maintain a balance between supply and demand and produce marketable products to satisfy social needs. Only in this way can value be materialized. This is a question of macroeconomic results. It is also one of the aims that we must achieve in reforming prices by means of the price lever.

The three types of conditions of production, namely excellent, mediocre and poor, and the different proportions of output, will produce different economic results. If we take the cost of products under excellent conditions as the basis for fixing prices, we can raise the average labor productivity of the entire sector and lower the value of the products. If we take the cost of products produced under poor conditions as the basis for fixing prices, we can lower the average labor productivity of the entire sector and raise the value of the products. Thus, from the angle of pricing, we should consider giving encouragement to regions and enterprises which enjoy excellent conditions to produce more and imposing restrictions on regions and enterprises where conditions are poor. At the same time, we should cooperate with the planning, production and supplies departments to tackle problems regarding the concrete conditions of production.

If we must let enterprises with poor conditions produce more because of social need, and if the technological conditions remain constant, the problem of diminishing returns will crop up when output has reached a certain level. At that time, if we still take the cost of products produced under poor conditions as the basis for fixing prices, we will be faced with diminishing returns, even though we have ensured production through pricing. Under such circumstances, we must consider other alternatives. For example, we now have an imbalance between the supply and demand of grain. In order to encourage grain production, we have raised the price of grain and set a higher price for purchases above the regular quota. In order to stabilize the market and to ensure the people's everyday needs, we have adopted methods like linking buying and selling and providing financial subsidies. These measures are necessary during a certain period of time. However, this also raises a problem. Can we use a fraction of the subsidies for grain prices to develop animal husbandry and use animal products to substitute for a portion of grain supply? Here we must compare the cost of grain with that of animal products, compare investment in the development of animal products with the amount of subsidies for grain prices, and calculate the economic results of input and output. We may perhaps consider importing some grain and spending a fraction of the subsidies for grain prices on raising the prices of economic crops such as cotton so as to reduce the import of cotton. In doing this, it is also necessary to compare cost and economic results. The same holds true for mutually substitutable products like coal and petroleum, thermal power and hydroelectricity, steel furniture and wooden furniture.

On the question of fixing prices for new products, we must also think in terms of economic results and must not simply consider the short-term cost, still less take this as the basis for long-term pricing. In a sense, new and old products are similar to the same kind of product produced under poor and excellent conditions. When a new product is first produced, production costs are high and quantities small. At this stage, the old product is in a more advantageous position. In the long run, however, the new product will yield better economic results. Along with the development of production, costs will also drop. Thus, in fixing prices, we should consider the question of popularizing new products and speeding up the elimination of the old.

c. The question of stabilizing prices.

Maintaining price stability is a long-time policy because it serves to stabilize the economy and enables the people to lead a stable life. However, price stability must go hand in hand with rational readjustment. We must not freeze prices. We can only strive for relative and basic stability of price. Price stability must help bring about a balance between supply and demand. If it affects supply and demand, we should consider readjusting the supply price with a view to developing production. In this way, we will have a material basis for maintaining price stability. Of course, the development of some products involves more than the question of price, in which case we must adopt other measures. If we cannot reduce demand by raising prices because we have to maintain price stability, then we should keep demand within limits by means of planned supply. This method must be employed in an appropriate way. We must not one-sidedly emphasize price stability. If we do not give allocations when such needs arise and if we start rationing every time something falls into short supply, supply and demand will remain imbalanced for a prolonged period of time. This will seriously damage price stability. In striving to maintain price stability, we must focus our attention on handling correctly the relations between supply and demand. Price stability should promote a balance between supply and demand, not its opposite.

d. The question of price competition.

Competition is inseparable from the ratio of supply to demand and from price fluctuations. On the one hand, we have competition among producers of the same product; on the other hand, we have competition among purchasers. In essence, competition is price competition. Through price competition, it is possible to enter the market and to realize the value of products.

With commodity production and commodity exchange, there is bound to be competition. Competition continues to exist under socialist conditions. By unfolding necessary price competition, we will be able to promote production, enlarge circulation, and raise economic results. However, since the development of socialist commodity production and commodity exchange is guided by the principle of ensuring the leading role of the planned economy supplemented by market regulation, competition can only take place within the designated scope of the plans, and is therefore restricted.

On the matter of price control, we used to state again and again that "there can only be one price for a single commodity in a given period and on a given market." Due to the objective presence of an imbalance between supply and demand, however, we often have "a number of prices for a single product." For example, we have seven to eight prices for coal, including unified distribution price, economic coal price, cooperation price, and oil substitution price. For grain, we have unified purchase price, a higher price for above-quota purchases, negotiated price, rural fair price, and so on. There contradictions between regulations and practice have stemmed from an imbalance between supply and demand. On the whole, when supply falls short of demand, price competition will precipitate the emergence of a variety of prices as well as an upward trend in price movement. When supply exceeds demand, price competition will also cause a variety of prices, but there will be a downward trend in price movement. Along with the restructuring of the economic systems, we have also carried out necessary market regulation and extended the decisionmaking power of the enterprises. A buyer's market has also emerged for certain products. Under such circumstances, many production enterprises want to lower their ex-factory prices to promote sales. The commercial departments and individual traders and peddlars also want to lower the prices of certain commodities and to compete in price. Objective practice requires us to face the phenomenon of "having a number of prices for a single product" squarely. We must not simply negate it. On the contrary, we must study it thoroughly to discover its merits and demerits, and to consider whether or not we should adopt different measures with regard to different commodities and unfold price competition in a planned way.

e. The question of the leading role of planned prices and the supplementary role of free prices.

In keeping with the principle of ensuring the leading role of the planned economy supplemented by market regulation in our efforts to maintain a balance between supply and demand, we must also adopt diversified forms of pricing which embody the leading role of planned prices and the supplementary role of free prices. Whichever form of pricing we adopt, we must consider the question of supply and demand. These forms of pricing only differ from one another in the extent of planning and spontaneous market regulation. Only by adopting diversified forms of pricing and by ensuring the leading role of planned prices and the supplementary role of free prices can we achieve a better balance between supply and demand.

3. In studying price reform around the central issue of supply and demand, we must study how we can strengthen planned management, price control, and market control, how we are going to reform those management systems, policies, methods, and measures which no longer suit our needs, and so on. When we say we should attach importance to the question of supply and demand, it does not mean that we should give up or slacken control. On the contrary, we must strengthen control. The problem is, this control must be conducive to our handling of the relation between supply and demand and to maintaining a balance between supply and demand.

#### FOOTNOTES

1. Marx: "Das Kapital," People's Publishing House, 1975 Edition, Vol 1, p 52.
2. Ibid., Vol 3, p 716.
3. Ibid., Vol 3, p 722.
4. Ibid., Vol 3, p 717.
5. Ibid., Vol 3, p 214.
6. Ibid., Vol 3, p 209.

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## NATIONAL POLICY AND ISSUES

### LAW OF VALUE IN PRC 'SOCIALIST' ECONOMY VIEWED

HK121021 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 83 pp 35-39

[Article by Wei Huachun [7614 0553 4783]: "Position and Role of the Law of Value in Socialist Economy--Questions of Carrying Out the Principle of Taking Planned Economy as the Key Link With Market Regulation Playing a Supplementary Role"]

[Text] The report of the 12th CPC National Congress pointed out: "The correct implementation of the principle of taking planned economy as the key link with market regulation playing a supplementary role is a fundamental problem in the restructuring of the economic structure." This pointer has given us the direction of the reform of the economic structure of our country.

In the course of the reform of the economic management structure, some comrades were of the opinion that implementing the principle of "taking planned economy as the key link with market regulation playing a supplementary role" would bring us back to the old road of the economic management structure. They took planned economy as being opposed to the law of value and employed the one to squeeze out, and to negate, the other. An important problem is involved here, and this is how to understand the position and role of the law of value in socialist economy. It is related to the problem of how to clearly understand the principle of "taking planned economy as the key link with market regulation playing supplementary role." Concerning this question, I shall present, in this article, some of my views:

#### 1. Existence of Commodity Production Under Socialist Conditions Determines That the Law of Value Occupies an Important Position in Socialist Economy

Some comrades are of the opinion that, basically speaking, socialist planned economy is determined by two conditions: 1) A definite degree of socialized large-scale production; and 2) public ownership of the means of production. Neither of these has any relation to the role of the law of value.

True, a definite degree of socialized large-scale production and the public ownership of the means of production constitute exceedingly important objective factors in the determination of a socialist planned economy, but they are not the only determining factors. This is because under socialist conditions commodity production still exists which, in turn, is determined by undeveloped socialized production and an incomplete system of public ownership of the means of production. The existence of social division of labor brings about the practice of the exchange of commodities. This is an objective condition for the existence of commodity production. In a capitalist society, commodity production is a measure employed by the capitalists in their search for surplus value. In a socialist society, due to the elimination of class exploitation, class confrontation as in division of work in the old society has also been eliminated. Nevertheless, since social division of work and class difference still exist, commodity production continues to exist, although commodity production is solely for the purpose of meeting the people's daily growing material and cultural needs. Hence, in this context, an essential difference exists between the commodity production of a socialist society and that of a capitalist society. However, be it in a socialist society or a capitalist society, if social division of work exists, there exists the need for the exchange of labor and, as a result, the coming into play of the fundamental attribute of commodity production and commodity, namely, exchange at equal value, cannot be avoided. It may be said that social division of work, and commodity production and commodity exchange that emerge therefrom, are natural phenomena which have existed in a definite historical period. On the one hand, they are the natural results of the development of the social productive forces and socialized production and, on the other hand, they are the manifestation of the relatively low level of the development of the social productive forces and the insufficient development of socialized production. As human social development reaches the stage of communism, the productive forces will have reached a high degree of development, material wealth will have been greatly enhanced, the three big differences will have been eliminated, and the laborers will have achieved all-round and free development in morals, wisdom and physique. By that time, commodity exchange at equal value will have been replaced by the direct distribution or allocation of products. Moreover, concerning the system of ownership by the whole people, a real and integrated system of that nature calls for not only the complete ownership of the means of production by the whole people and their use, handling, and management by the whole people, but also the unified distribution by the whole people of the fruits of production. Unfortunately, at the present stage of development in our country, we still cannot accomplish this in its entirety. In addition, at the present stage, a large number of collectively-owned enterprises still exist. Also, these collectively-owned enterprises differ from each other in the degree of public ownership. As a result, the material interests of the enterprises and of the laborers also differ, and, at the same time, the material interests of an enterprise and the laborers must depend on commodity production and commodity exchange for their realization.

Hence, a system of public ownership of the means of production built in a definite degree of socialized production demands that the socialist economy must be a planned economy. But because of the undeveloped socialized production and the incomplete public ownership system, it also brings about



the existence of commodity production and commodity exchange. Socialist planned economy is an economic system which exists on the basis of the unification of the two objective economic factors mentioned above and is built on a public ownership system on the basis of a definite degree of socialized production and the basis of the public ownership of commodity production. It is categorically different from a capitalist commodity economy built on the basis of a private ownership system and is also different from a communist planned economy which is built on the basis of public ownership of the means of production by the whole society with the whole society doing labor work in common, thus eliminating commodity production and commodity exchange. Since commodity production and commodity exchange under socialist conditions have direct and close relationship with socialist planned economy, it follows that the basic law governing commodity production and commodity exchange, that is to say, the law of value, is likewise closely related to socialist planned economy. Only on reaching a stage of communism when commodity production is eliminated and only production of articles still exists, can planned economy be said, as claimed by certain comrades, to have "no relationship whatsoever" with the law of value.

## 2. Under Socialist Conditions, People Can Consciously Make Use of the Law of Value

Some comrades believe that the law of value has no relationship whatsoever with planned economy but also that "what accompanies it is of a spontaneous and unplanned nature." This is to say: The law of value is something that is passive. This raises two problems for study.

The first question is: Under socialist conditions, are people helpless before any objective law, such as the various kinds of economic laws including the law of value? Or, can they do something about them? The basic theory of Marxism tells us that all objective laws cannot be transformed by human wishes. But people can use the powerful weapons of dialectic materialism and historical materialism to gain a knowledge of objective laws, and to control them so that they can be of benefit to the people. And this means the inclusion of knowing and handling various kinds of economic laws including the law of value. Under socialist conditions, advantageous conditions are provided to us, whether objectively or subjectively, to know, and consciously to make use of, the law of value.

The second question is: In the different social forms in which commodity production and commodity exchange exist, the law of value is affected by the political and economic system and by the special economic laws found in the different social forms; its role and performance results are not alike.

In a capitalist society, so-called planned production by the whole society is basically impossible. This is because in such a society socialized production has linked together the various departments and enterprises into a composite body for social production, demanding planned production in accordance with the actual needs of the society. In the case of certain

capitalist countries, the government itself has even come forward to undertake so-called "planned production." But, because of the existence of the system of capitalist private ownership of the means of production and the various capitalists and capitalist blocs engaging in production solely for the purpose of gaining surplus value, the entire social production is disjointed, thus rendering planned production basically impossible. Just as Engels said: "Nobody knows how much of his particular kind of product can find its way to the markets or is actually needed; and nobody knows whether or not his individual products are actually needed by other people, or if their production costs can be retrieved, or if they are actually marketable." (Engels: "Anti-Durhing," "Selections From Marx and Engels," Vol 3, p 312) Thus, speaking of social production as a whole, it is in a situation of intense competition, and of anarchism, and devoid of planning. Under such conditions, the law of value, "through bypassing the producers and being in confrontation with them, becomes a natural law, playing a blind role for the production forms and opened up the road for them." (Ibid)

Under a socialist society, the law of value may be consciously made use of by people. Engels said: "Once society has taken over the means of production," and commodity production is eliminated, "the state of anarchy in social production will be replaced by a planned and conscious structure." By that time, "the objective hostile forces which all along have dominated history" will come under the "control of people," "will be skillfully manipulated by people," and will subsequently obey people's [word indistinct]." (Ibid, Vol 3, p 323) At the present stage of socialism in our country, the degree of public ownership is not yet as high as Engels predicted. Hence, commodity production must still be retrained, but the public ownership system of the initial stage of communism has already been established, and, basically speaking, conditions are available for the implementation of planned economy. This so-called "basic availability" means that planned economy is still not yet pure and complete and is subject to the restraint and influence of commodity production. Hence, in a socialist society, that people can understand and consciously make use of the law of value is determined by the socialist public ownership system and the basic economic laws of socialism, and is also ensured by the road, guidelines, policies and statutes which have emerged therefrom.

As we all know, the socialist system of public ownership of the means of production demands not only that the production of a single enterprise is planned but also that the production of the whole society is planned. In this context, planned production and circulation constitute the main body of our country's national economy. Viewed from the standpoint of the basic economic laws of socialism, it demands that socialism, on the basis of the development of social production, continuously satisfies the daily growing material and cultural needs of the people. This is akin to the law of value demanding economy and labor and the production of products needed by the people. And the demands of a planned nature of socialist production are also identical to the production objectives of socialism. Moreover, the

latter is the starting point for the [word indistinct], while the former represents a powerful factor ensuring the latter's smooth realization. As a result, we can, through economic planning work, that is, through macro-planning work and microplanning work, and in accordance with the demands of the objectives of socialist production, consciously make use of the law of value. Of course, it should be noted that under socialist conditions, since enterprises are subjected to the public ownership system and are relatively speaking independent producers of commodities, they have their own partial interests. Consequently, when enterprises lose their control of economic planning, the law of value may, in certain production departments and enterprises, spontaneously come into play, in this way coming into contradiction with the production objectives of socialism. Under such conditions, there may arise such phenomena as the over production of certain products, or certain products being found unsaleable on account of their poor quality, thus entailing waste and losses. This is basically incompatible with the production objectives of socialism. Therefore, we should strive hard to continuously reinforce socialist economic planning work and to make socialist production objectives and the demands of the law of value become united and identical.

Summing up the above, socialist planned economy, as an objective and inevitable demand, must, in the course of economic planning work (including both mandatory planning and guidance planning), follow the demands of socialist production objectives, consciously make use of the law of value and other economic laws and technical regulations so that socialist economy may achieve a planned and proportionate development.

### 3. In Restructuring the Economic Management System, We Must Consciously Make Use of the Law of Value

From the analysis of the two above problems, it can be seen that the law of value occupies an important position and plays an important role in the socialist economy of our country. Hence, inevitably, it has certain effects on, and also plays a certain role in, the restructuring of the economic management system. Some comrades are of the opinion that giving a high regard to the role of the law of value in the restructuring of the economic system is equivalent to onesidedly stressing regulation by market mechanism, negating the leading role of planned economy, and in this way, deviating from the direction of socialism. Such a viewpoint is, in effect, setting planned economy and the law of value against each other and is contrary to the actual situation.

As we all know, in the past there was a great drawback on the part of our economic system. It was that the control contemplated by the plan was too much and too tight. An important reason for the emergence of such a problem was that, to a great extent, we had overlooked the position and role which should have been taken by the law of value and the market. For example, we may cite such instances as not recognizing the enterprises as relatively independent producers of commodities; the enterprises being devoid of the necessary rights and interests which they should have possessed; the

commodity circulation lanes being too narrow; the price structure being irrational, and so on. Due to insufficient attention paid to the relations between commodities and currency and to the law of value, the economic plan has frequently been of a lopsided and subjective nature, and the economic results are poor. However, in more recent years, certain of the restructuring measures taken in the planned management system were directed at this problem and have achieved certain results. For example, we have expanded the decisionmaking power of the enterprises in economic management, smoothed out and widened the scope of the circulation lanes of commodities, improved commodity price control, and so on.

On the side of agriculture, the state has first of all made a large-scale readjustment of the prices of grain and of certain other agricultural and sideline products and has initially removed the past protracted irrational phenomena of prices of certain products not being in conformity with their actual value. A series of measures has been adopted to restructure the management and control measures in agriculture. Two problems have been confronted. One was that the development level of the agricultural productive force must be taken into account and that the solution of production relations must proceed in accordance with the laws which conform to the character of the productive force. The other was that in restructuring we must proceed from the starting points of commodity production and the position and role of the law of value. However, the restructuring has promoted the rapid development of agricultural production and the "commodity rate" of grain and of certain agricultural and sideline products has been greatly raised. These are evidences that in our economic planning work, we have been comparatively successful in consciously making use of the law of value in the development of the national economy.

Comrade Hu Yaobang pointed out: in order to achieve the objective that economic development must be centralized and is at the same time flexible and diversified, administration of the plan must vary in conformity with the varying conditions. As I see it, there are three major forms:

First, mandatory planning. Concerning the production and distribution of products of state-operated economy which have a bearing on the national economy and the people's livelihood, particularly backbone enterprises related to the situation as a whole, mandatory planning must be implemented. This is an important manifestation of the socialist system of ownership by the whole people in the organization and management of production. As for the production of grain and other important agricultural and sideline products, the implementation of mandatory planning is also necessary.

Second, guidance planning. Because of the existence in our country of diversified economy forms and because of such other reasons as the difficulty of making an accurate estimate of the various kinds of social demands and of the production capacity of a large number of enterprises, it is necessary to carry out guidance planning in the case of many enterprises and products.

Third, regulation by market mechanism. Concerning the various kinds of small commodities, the enterprises should be allowed to flexibly make their arrangements for production while the state can strengthen its control by means of policies, statutes, and industrial and commercial administrative work.

The first and second forms mentioned above are both forms of a planned nature, although the law of value still exerts on them certain influence. Just as Comrade Hu Yaobang emphatically pointed out at the 12th CPC National Congress: "In the implementation of either mandatory planning or guidance planning, it is necessary to conform to objective reality, to frequently study changes in the market supply and demand conditions, and to consciously utilize the law of value and make use of economic levers such as pricing, taxation, and credits and loans to lead the enterprises to realize the demands of the state plan. It is also necessary to provide the enterprises with a certain degree of mobility. Only in so doing will it be possible to enable the plan to gain on time the necessary supplement and perfection in the course of its execution." From this it can be seen that mandatory planning is definitely different from some people's conception that it need not observe objective economic laws, that it does not make use of the law of value and economic levers, that it need not be concerned with the conditions of market supply and demand, but that it merely constitutes subjective planning by the people. As for implementation of guidance planning, it represents an important reform in economic planning work. Compared with mandatory planning, it pays a much higher regard, both in degree and in scope, to the role of the law of value and market mechanism. As for the third form mentioned, it has its own special significance, that is to say, aside from the planned forms of the main body of the national economy, "market regulation" of production and circulation relies entirely on "the law of value spontaneously performing its role of regulation." This type of market regulation is, in essence, different from the market economy of capitalist countries in which the whole social economy is subjected to the spontaneous functioning of the law of value. This is because, first, its application is limited to a very small scope of commodities of small-size; and, second, it is an appendage to planned regulation, a supplement to planned regulation, and is subjected to the restriction and influence of planned regulation. Hence, to a certain extent, it represents a special form in which people knowingly make use of the law of value.

Judging from the above, if it is said that under the conditions of an incomplete system of public ownership, the starting point for the determination of the three forms of planned control is the varying degree of importance of the bearing on the national economy and people's livelihood on the part of the various enterprises and products, then it may also be said that the application, in varying degrees and scope, of the law of value is another important objective condition for determination of these three different forms.

4. Are the Problems That Have Emerged in Recent Years in the Restructuring of the Economic System the Consequences of the Utilization of the Law of Value and the Bringing Into Full Play of the Market's Functions?

Certain problems which have appeared in economic life in recent years are the results of our own failure in certain respects consciously to make use of the law of value and bringing the market's role into full play and are the results of the law of value spontaneously performing its role.

Let us look at the market conditions. A socialist market is a planned market. It demands that the principal portions of production and circulation must progress in a planned manner. Generally speaking, production and consumption are identical, that is to say, they should acquire a relative equilibrium. Hence, it is necessary to perform a good job in market forecasting, linking together microforecasting with macroforecasting so as to ensure the formulation of scientific plan. At the same time, the state must, using necessary economic tactics and administrative measures, ensure the plan's realization. In this way, we can basically achieve the objective of fixing production according to sales in the case of products included in the plan and of meeting the needs of the consumers in the case of products not contemplated in the plan. Unfortunately, in recent years, following the enlargement of the financial retention portion of the localities and of the decisionmaking power of the enterprises, they have frequently and increasingly started from the condition and interests of their own localities and enterprises, and started on the basis of micromarket news, in determining the production of certain products, particularly production of the highly profitable goods in popular demand. In this way, in certain localities and enterprises, conditions of "blind construction" and "blind production" have appeared. Because everybody acts in this way, because of the lack of guidance in macromarket forecasting and scientific planning, and because certain restructuring measures have not yet been "formed into complete sets," or have lacked the necessary accompanying plans and have not been followed up by relevant administrative work, there has been a rapid expansion in the production of certain goods, resulting in their consumption falling far behind supply and resulting in enormous wastes. Moreover, there is no way of ensuring the provision of the necessary construction funds for the vital projects of the state plan. Conditions of this kind illustrate, so far as the enterprises are concerned, that the law of value has to a certain extent spontaneously played its role while, concerning society as a whole, there has been a failure in consciously utilizing, and utilizing well, the law of value and in effectively bringing the role of the market into full play. It may thus be said that in socialist market forecasting, confining it to the enterprises alone is insufficient. If, because of its lack of a comprehensive knowledge of the condition of market supply and demand as a whole, the state is unable to make effective use of planning tactics and economic levers, then a state of anarchism is liable to develop in certain localities and enterprises. Naturally, phenomena of this kind are only temporary. Following the in-depth development in our country's restructuring work on the economic management system and the continuous improvement in economic planning work, such phenomena can be readily overcome.

Viewed from the condition of prices, it can also be seen that there still exists the problem of failure to consciously make use of the law of value. Lenin said: "Prices constitute the manifestation of the law of value." (Lenin: "Once Again the Eradication of Socialism," "Collected Works of Lenin," Vol 20, p 194) The law of value demands that the exchange of commodities must be governed by the principle of exchange at equal value, that value forms the foundation of prices, and that prices must be subjected to the influence of the relation of supply and demand of market commodities. However, for many years, the prices of certain commodities not only have not undergone any change despite changes in the labor productivity rate but also have failed to rise or fall in accordance with changes in the condition of market supply and demand. Actually, what has been in force was a kind of fixed price unchanged by law, in this way artificially bringing about an extremely irrational phenomenon in prices. Conditions of this kind demonstrate that we have been unable to consciously make use of the law of value. This is because, following the expansion of the decisionmaking power of the enterprises, and the failure of other restructuring measures to be "formed into complete sets," it has been extremely difficult to prevent certain enterprises going after those highly profitable products. This is also an important cause for the over-production and/or stockpiling of certain products.

Following the continuous, in-depth and all-round development in the restructuring of the economic management system of our country, and under the logical premise of maintaining the basic stability of commodity prices, both the price structure and the method of price control must be systematically reformed. For example, concerning products under mandatory planning, the policy of relatively fixed prices may be adopted while concerning products under guidance planning, floating prices within a stated range may be allowed. Productions under these two categories of planning make up the great proportion, or by far the greater proportion, of commodity production, and planned pricing is enforced. Only a small quantity of small commodities can really enforce the system of free prices subjected to "regulation by market mechanism." Thus, it may be said that utilizing price levers correctly and well constitute not only a question of consciously utilizing, and utilizing well, the law of value but also an important question of the correct implementation of the principle of "taking planned economy as the key link with market regulation playing a supplementary role."

In short, precisely as Comrade Hu Yaobang pointed out in the report to the 12th CPC National Congress: In recent years, we have carried out certain restructuring of the economic structure. We have expanded the power of the enterprises in planned management and have paid attention to bringing regulation by market mechanism into full play. Our direction of work is a correct one and we have also achieved obvious results. Unfortunately, due to certain restructuring measures not having been completed or followed up with the relevant management and control work, the working of the national unified plan has been gradually weakened and impeded. We should follow the spirit of the 12th CPC National Congress, earnestly take stock of the experience gained in the restructuring of the economic structure in the preceding stage and perform a good job in restructuring the economic structure so that it may achieve an all-round and healthy development.

NATIONAL POLICY AND ISSUES

ZHONGGUO QINGNIAN BAO DISCUSSES GOVERNMENT WORK REPORT

HK020550 Beijing ZHONGGUO QINGNIAN BAO in Chinese 25 Jun 83 p 3

[Article: "Continue To Push Forward the Various Construction Undertakings Centering on Economic Construction--Studying the Questions and Answers on the 'Government Work Report'"--passages within slantlines published in boldface]

[Text] /Question: What are the main contents of the "government work report" made by Premier Zhao Ziyang at the first session of the Sixth NPC on 6 June?/

/Answer:/ The "government work report" is divided into two parts. The first part not only affirms the achievements in the past 5 years, but also points out the shortcomings as well as difficulties that still exist in government work at present, and is practical and realistic. The congress expresses satisfaction with the work of the State Council. The second part makes suggestions for the work and tasks in the fields of politics, economics, education, science and culture, national defense, and foreign affairs. It clearly points out that socialist economic construction is the key task of the government as well as people throughout the country. We must steadfastly uphold the principle of seeking truth from facts as well as the construction policy of making steady advance, further make a success of readjusting the national economy, step up the tempo of reform, concentrate funds to strengthen priority projects and technical transformation, guarantee the steady growth of the present economy, and also lay a solid foundation for the new vigorous development of the economy in the 1990's.

/Question: What are the achievements made by China in the past 5 years?/

/Answer:/ During the Fifth NPC, as a result of the common efforts of people's governments at various levels as well as people of various nationalities throughout the country, China has made great achievements and tremendous changes have taken place in various spheres.

/China has achieved and enhanced political stability and unity throughout the country, strengthened socialist democracy, and improved the legal system./ During the past 5 years, China's political life has steadily returned to normal; the relations among all nationalities, based on equality, solidarity,



mutual assistance, and fraternity, have been reinforced; the patriotic united front has been broadened, and society as a whole has enjoyed increasing stability with each passing year. Although some destabilizing factors still exist in our society that required continued efforts to eliminate, people have every reason to believe that the present situation of stability and unity is irreversible, and that our great motherland will enjoy a long period of order and stability. No force on earth can hold back or undermine this historical trend.

/The national economy has freed itself from the instability caused by a serious disproportion in its major branches and has gradually moved on to a path of healthy development./ As a result of the implementation of the principle of readjusting, restructuring, consolidating, and improving over the past few years, a radical change has appeared in the long-standing state of a high rate of accumulation and the serious backwardness of agriculture and light industry. In the period of readjustment, not only an overall stability but also a fairly high rate of economic growth have been maintained. The total value of industrial and agricultural output of 829.1 billion yuan in 1982 was 32.6 percent higher than in 1978, or an average annual increase of 7.3 percent. This explains that the policy of readjusting the economy is entirely correct, and the achievements obtained are also very outstanding.

/Agriculture has extricated itself from protracted stagnation and achieved a sustained overall upsurge./ In the past few years, the State Council has carried out a series of rural policies for arousing the enthusiasm of the peasants, greatly raised the purchasing price for agricultural sideline products, increased grain import, and lowered the state purchasing quotas in some of the districts, so that the peasants can recuperate. What is of particular importance is that the Chinese peasants have created many forms of the contracted responsibility system based on the household with remuneration linked to output, overcome the longstanding practice of blind command in production and egalitarianism in distribution, combined small individual household management with specialized and socialized production, carried forward the positive achievements of the cooperatives, and thereby unified the superiority of collective ownership with the enthusiasm of family management, and at the same time, brought them into full play to solve some of the fundamental problems which could not be solved for a long time in socialist production. This is progress of far-reaching historical significance.

/The consumer goods industry has reversed the situation of long-standing backwardness, heavy industry has gradually corrected its service orientation, and the whole industry has continued to grow in the course of readjustment./ For the past few years we have given priority to the production of consumer goods, and light industry has expanded more quickly than heavy industry. In the 4 years from 1979 to 1982, the output value of light industry registered an average annual increase of 11.8 percent against 3.4 percent for heavy industry. The industrial structure has become more rational with each passing day as a result of readjustment and reorganization. Although total energy consumption in our country only increased on an average of 1.9 percent a year for the past 4 years, the whole industry was able to develop at an annual rate of 7.2 percent. This is a major victory for economic readjustment.

/Urban and rural markets are thriving as seldom seen before in the history of the people's republic, and there is a big expansion of economic and technical exchanges with foreign countries./ Total volume of retail trade in social commodities of 257 billion yuan in 1982 was 64.8 percent higher than the 155.7 billion yuan in 1978, or 400 percent higher than the average annual increase of 4.9 billion yuan for the 26 years before 1978. The total volume of China's import and export trade reached 77.2 billion yuan in 1982, or an increase of 120 percent in 4 years compared with the 35.5 billion yuan in 1978. Gratifying changes have taken place in the composition of export commodities, and the ratio occupied by the total volume of industrial products has increased from 46.5 percent to 55 percent. Under the condition of the worldwide economic recession and shrinking of international markets, the sustained advance of our economy and the rapid development of economic exchanges and trade with foreign countries have demonstrated the superiority of the socialist economic system and testified to the correctness of the policy of gradually expanding and carrying out the policy of promoting economic exchanges with foreign countries.

/The economic system has initiated reforms, and tangible results as well as useful experiences have been obtained./ For the past few years, while carrying out reforms in the agricultural system, we have at the same time initiated a series of reforms to diversify the economy in cities and towns, expand the decisionmaking power of the industrial and commercial enterprises, improve the circulation of goods between the urban and rural areas, and extend the key role of cities. All these have played the fine role of arousing the enthusiasm of the districts, departments, enterprises, and workers, livening up the urban and rural economy, providing facilities for the people's livelihood, and improving economic results. We have also accumulated [phrase indistinct]

/The long-standing erroneous tendency of despising knowledge and despising the intellectuals has been corrected, and there is a new development in education, science and culture./ From 1978 to 1982, our country has increased the number of regular colleges and universities from 598 to 719, and the student body from 856,000 to 1,154,000 students. Initial changes have been made in changing the unitary structure of secondary education, and the total number of students studying in vocational secondary schools has increased by 200 percent in the past 3 years. At the end of 1982, there was a total of 207 million students in all types of schools at various levels. Scientific and technological work must be geared to helping the guiding policies of economic construction to strike root in the hearts of the people with each passing day, and some of these projects have already reached the advanced world level. Science and technology play a vital role in modernization, and more and more people are becoming aware and paying attention to them. Considerable development has also been obtained in the study of social sciences. Ideas are stimulating on the cultural and art front, creativity is flourishing, and the quality of works of literature and art is steadily improving. Medical and public health service undertakings are developing. A particular health movement of a mass nature is developing throughout the country, and changes are appearing in the feature of urban and rural public health service in varying degrees. Physical culture and sports activities of a mass nature are being extensively developed. Our athletes have set world records on many occasions and won many international competition championships.

/On the basis of production development, there is a marked improvement in the life of urban and rural people./ The net income of Chinese peasants averaged 270 yuan per capita in 1982, or an increase of 100 percent higher than in 1978. In towns and cities, more than 38 million people were given jobs in the past 5 years. In addition to the system of wage increase and bonuses, there is also a marked improvement in the standard of living of the workers. The annual income of urban workers and staff families that can be used as living expenses averaged 500 yuan per capita in 1982, or 38.3 percent more than in 1978 after allowing for price rises. In the last 5 years, the state invested 48 billion yuan in building 350 million square meters of new housing for urban workers and staff, equivalent to all the new housing built in the 19 years before 1977. This marked improvement in the life of urban and rural people is of immediate concern to everyone.

/The new strengthening of national defense construction and national defense capabilities has safeguarded the independence and security of the motherland. The military and political quality of the PLA has improved markedly as a result of comprehensively implementing the principle of revolutionizing, modernizing, and regularizing the army. As a result of the initial reform of the system as well as the streamlining and reorganization, the organization and command of the army have developed in the direction of a composite army. As a result of reforms and readjustments, militia organizations have reduced their number and upgraded their quality. Development has been obtained in national defense scientific research and production and fresh results have also been achieved in the study and manufacture of new tactical and strategic weapons. The constant strengthening of the actual strength of national defense is an important safeguard for the people of various nationalities engaging with single-hearted devotion in the modernization of our country.

/By upholding the implementation of an independent foreign policy, new achievements have been made in diplomatic work./ Based on the five principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, mutual nonintervention in internal affairs, equality and mutual benefit, and peaceful coexistence, we must continue to develop relations with other countries. In the past 5 years, China has established diplomatic relations with another 15 countries. China has now established diplomatic relations with 129 countries. During the period, our leaders have visited 90 countries, and the leaders of 81 countries have visited China. In complicated international situations and on major international issues, we are playing a more and more important role in upholding principle and promoting justice.

/Question: How have these great achievements been accomplished?/

/Answer:/ The achievements we have made in the past 5 years were not easy to come by, and are the result of the fundamental change in guiding ideology and policy. The 3d Plenary Session of the 11th CPC Central Committee held at the end of 1978 laid down the correct political line, ideological line, and organizational line, decided to shift the focus of work on socialist modernization, started to bring order out of chaos, and brought about the great historical change. In recent years, in compliance with the spirit of the

third plenary session and the decisions of the Fifth NPC and the NPC Standing Committee, we have resolutely eliminated politically the various disastrous effects caused by the so-called theory of continuing the revolution under the dictatorship of the proletariat, and at the same time, eliminated various interferences of the right, and upheld the four basic principles. Economically, we have resolutely eliminated the still existing mistakes of one-sidedly going in for high targets and blindly expanding the scale of construction, and upheld the principle of proceeding from our national conditions, acting according to our ability, struggling actively, and advancing in an orderly manner. The policy of readjusting, restructuring, reorganizing, and improving made in 1979, and particularly the decision to further readjust the economy made at the end of 1980, are of decisive significance for bringing order out of chaos in the guiding ideology of economic work, and a fundamental turn setting our economy on the path of healthy development.

/Question: What are the main tasks of the government in the next 5 years?/

/Answer:/ As a result of studying the work of the past 5 years, the present situation and existing problems, the current State Council holds that the main tasks of the government in the next 5 years should be: to mobilize the people of various nationalities throughout the country to comprehensively fulfill and overfulfill the Sixth 5-Year Plan, to draw up and carry out the Seventh 5-Year Plan, to unremittingly push forward various construction undertakings centered on economic construction, to bring about a fundamental turn for the better in the condition of state finance and economy as well as in social convention as proposed by the 12th CPC Congress, and to score a major victory in the struggle to create a new situation in all fields of socialist modernization.

/Question: What are the proposals made by Premier Zhao in his report regarding economic construction?/

/Answer:/ The 12th party congress decided that the strategic goal of quadrupling the gross output value of industrial and agricultural production must be divided into two steps. In the first 10 years from 1981 to 1990, the main task is to lay a solid foundation. In the subsequent 10 years from 1991 to 2000, we must strive to enter a new period of vigorous economic development. This is a correct policy decision based on objective reality. The next 5 years are a crucial period for laying the foundation. We must properly readjust the national economy in these 5 years, step up the tempo of reform, firmly grasp key construction projects and technical transformation, ensure the stable growth of the economy, and also conserve our forces and create conditions for subsequent advance.

/In the next 5 years, we must first ensure the balanced and coordinated development of agriculture and light and heavy industries./ Under the premise of unremittingly improving economic results, we must strive to develop production at a speed attainable through our efforts. Quadrupling the gross output value of agricultural and industrial production in 20 years

is in terms of the whole country. As for individual localities, departments, and enterprises, some may be producing more and some producing less. It is necessary to proceed from the actual conditions of each, pay attention to economic results, and submit to the overall balance of the whole country. For the sake of ensuring the all-round development of agriculture, forestry, animal husbandry, sideline production, and fishery in the next 5 years, we must resolutely implement the series of basic policies for the countryside determined by the party since the 3d Plenary Session of the 11th CPC Central Committee and not make any changes. We must continue to stabilize and perfect the various forms of the family responsibility system with remuneration linked to output, implement the policy of "not slackening on grain production and actively developing diversified economy," and at the same time, steadily increase investment in agriculture and actively improve technical conditions for agricultural production.

/In the next 5 years, we must energetically strengthen the construction of the energy and transport projects and actively promote the technical transformation of existing enterprises./ The success or failure of key construction projects has a vital bearing on the future of China's modernization as well as on the fundamental interests of people throughout the country. The whole country must give support to key construction projects, and all working people as well as people of various nationalities must contribute their efforts toward promoting key construction projects. Arrangements have been made in the "Sixth 5-Year" Plan for the [word indistinct] as well as the new construction of 890 large and medium-sized projects, and work has started on 93 key projects costing more than 500 million yuan in investment. The energetic promotion of the technical transformation of enterprises, like the key construction projects, is an important condition for the all-round fulfillment of the "Sixth 5-Year" Plan and the ushering in of a new vigorous economic development.

/In the next 5 years, we must continue to improve the people's standards of living in both the urban and rural areas, and strictly control population growth./ On the basis of developing production and raising labor productivity, we must further increase the income of urban and rural people and raise the consumption level of the inhabitants. Regardless of whether promoting production and construction or improving the people's standards of living, we must continue to regard controlling population growth at an important matter to grasp.

In the process of implementing various work and tasks in the next 5 years, we must pay close attention to helping the minority nationality areas with the development of economic and cultural construction and promoting the further prosperity of the nationality areas.

/Question: If we want to fulfill the above-mentioned tasks, particularly the task of strengthening key construction projects, what are the problems facing us at present? How should they be solved?/

/Answer:/ The most conspicuous problem facing us at present is inadequate state financial resources and serious dispersion of funds. The State Council holds that we must conscientiously solve this problem from the three following directions:

1. Energetically improve economic results and expand financial resources.

A major reason for the reduction of state financial revenue in recent years is poor economic results, and the costs of industrial production, communications and transportation as well as the expenses of commodity circulation cannot be lowered. If these conditions are not quickly changed, the development of various production and construction undertakings will be seriously affected. Various departments and localities, as well as all enterprises, must strictly establish the concept of improving economic results. They absolutely cannot pay attention only to investment but not to production, or only ask the state for investment without making contributions to the state.

Our emphasis on shifting all economic [word indistinct] to the path centered on improving economic results definitely cannot remain merely an appeal in general, but must become a really effective practical action. All units as well as workers and staff members must make the effort to increase production and practice economy, readjust and strengthen labor discipline, raise work efficiency, and resolutely struggle against all phenomena of extravagance and waste, lax discipline and lack of responsibility.

2. Another major reason for inadequate state financial resources in recent years is that the state has amassed too little financial resources and funds are overdispersed. This kind of condition must no longer continue at any rate. Our country is still very poor, and we must energetically advocate arduous struggle, and building up the country through diligence and thrift. We must advocate taking the interests of the whole into account and establish the concept of subordinating partial interests to overall interests.

3. We must correctly determine the overall scale of capital construction, strive to guarantee the funds needed for key construction projects, and energetically improve investment results.

To lay a sound foundation for vigorous economic development, a necessary scale of capital construction must be maintained. However, this scale must be in keeping with our country's ability, and must not exceed possible financial burden and material supply. If we violate this objective economic law, we will be punished in actual life. We must promptly change this kind of condition, and under the premise of strictly controlling the overall scale of capital construction, concentrate the forces of the whole country to build a number of modern hardcore projects as well as transform a number of existing key enterprises, and further lay a strong foundation and prepare an ample reserve force for the development of our economy.

As large key construction projects require a great deal of investment, a long construction period, and also a series of projects to link them, we therefore cannot carry out too many key construction projects within a given period. We must do what we are capable of, and make overall arrangements by looking ahead and behind. We must, with the spirit of a high degree of responsibility toward the state and the people, properly manage and use the funds accumulated through the diligent labor of the people, and we must not disappoint the people's expectations.

In the past few years, we have achieved great success in reform in the rural areas. There are similarities and at the same time differences between agricultural reform and the reform of city industrial and commercial enterprises. Through reform, it is possible for the material interests of the management units in production and the workers to be closely linked to the results of their own labor and the development of the entire social material production. So as to bring into better play their initiative, this is similar. However, owing to the difference in the forms of ownership, the difference in the level of development in productivity, and the difference in the degree of socialization, reform in the cities is more complicated than in the rural areas. It is only possible for us to draw common experiences from the reform in rural areas, but it will not do for city industrial and commercial and other undertakings to copy the concrete forms only suitable to [words indistinct] In carrying on reform, it is necessary for us to give full consideration to how much the economy can bear. We should be resolute in our attitude, but should not act with undue haste. Wherever there is a need and possibility for undergoing a trial, it should be done, so as to obtain experiences and popularize them step by step.

/Question: Concerning the construction of education, science and technology, and culture, what are the plans of the government for the next 5 years?/

/Answer:/ From now on, we should attach great importance to the exploitation of intellectual resources, and give prominence to cultural construction with the development of education, science, and technology as the key link. This is the necessary premise for the realization of invigorating the economy. Raising in a big way the levels of science and culture, ideological consciousness, and morals of the people will provide great motivation for the development of the economy and society, and the construction of socialist material and spiritual civilization. Governments at various levels should resolutely overcome the erroneous trends of underestimating the construction of culture, and put the exploitation of intellectual resources as an important item on the agenda.

At present, it is necessary to give prominence in a big way to the development of higher education, and the acceleration of the cultivation of talents for construction in every field. The State Council has recently approved the report made by the Ministry of Education and the State Planning Commission on stepping up the development of higher education by adopting a variety of levels, standards and forms. In the next 5 years, it is planned to increase

the enrollment in ordinary institutes of higher education from 315,000 students in 1982 to 550,000 in 1987, a growth of 75 percent. At the same time, various methods will be adopted to develop higher education such as radio and television universities, correspondence universities, evening universities, management colleges for cadres and colleges for teachers' advanced studies, so as to increase the enrollment from 290,000 students in 1982 to 1.1 million in 1987, namely a growth of 280 percent. To guarantee the realization of this plan, the state will be responsible for solving the problem of construction investment for relevant big projects and the supply of goods and materials. It is necessary for us to adopt measures in policy and organization, create conditions, and encourage the shaping of talent through self-study. It is necessary to train middle-aged and young cadres by rotation, so as to expand the contingent of specialists in various fields.

The development of technical secondary education has been slow for many years, and a grave proportional imbalance has formed between talents of secondary education and specialized talents of higher education. This is not advantageous to strengthening and augmenting the technical force in the frontline, and has resulted in grave waste in educational investment. It is necessary to further grasp structural reform in secondary education, and develop vocational and technical education in a planned way. It is planned that within 5 years, the number of vocational senior middle school students at school will account for over 40 percent of the total number of senior middle school students.

At present, more and more masses of workers and peasants and teenagers have realized from their own experiences the importance of mastering science, culture, and political theory. There is an upsurge in studying science, culture and politics. Governments at various levels, enterprises, and communes, and production brigades should exert themselves in running education for workers and staff members, and education for the peasants, and satisfy their demands. Secondary and primary school education is the basis. It is necessary to train primary and secondary school teachers in a big way, help them raise their teaching level, and cultivate a good atmosphere of respecting teachers in the whole of society. It is necessary to strive for the populatization of primary education, and make a good grasp of the work of eliminating illiteracy, in particular, illiteracy among youths and people in the prime of life.

It is imperative to rely on the progress of science and technology for invigorating the economy. In order to make the development of science and technology work in coordination with the entire development of the economy and society, starting from February this year, a few hundred specialists in science and technology and responsible people of departments concerned have been organized to draw up a plan for development in science and technology from 1986 to 2000. It is also necessary for us to do a good job in digesting, absorbing, and popularizing imported advanced technology. Through import of technology and cooperative production, we should raise to a new level the production technology of our nation in a comparatively [short] time.



/Question: What measures are to be taken by the government concerning the administration and employment of talent in science and technology?/

/Answer:/ The unified administration and rational employment of talent in science and technology is the current most pressing problem. The following measures are to be adopted from now on: 1) Through drawing up plans, solving key problems in science and technology, and establishing center for developing technology, breaking the boundaries between departments and regions, and instituting centralized assignment and rational use of the science and technology forces of the whole nation. 2) Transfer a portion of science and technology forces from some heavy industrial departments and national defense departments to strengthen those departments that are weak in science and technology forces, such as energy resources, transportation, light industry and agriculture. Transfer a portion of personnel from institutes of higher education and departments of scientific research that are rich in manpower to meet the need for teachers in secondary education and vocational education. 3) Establish the system of a rational flow of personnel of science and technology, so as to enable the flow of personnel of science and technology from departments where they are overstocked to departments where they are needed, and encourage and reward them to work in medium and small cities, rural areas, minority nationality regions and remote border areas. 4) Establish the systems of placing science and technology personnel of the whole nation grades, and practice dual administration of different trades and professions. 5) Improve the system of evaluation, promotion and appraisal of professional titles and rewards for science and technology personnel, so as to promote the growth of the force of middle-aged and young science and technology personnel.

/Question: What suggestions have been put forward in the report by Premier Zhao Ziyang concerning the reforms in the economic system?/

/Answer:/ In adapting to the requirements of the development of economic construction, it is necessary to step up the reforms in the economic system. The Fifth Session of the Fifth NPC approved the planning of the reforms of the economic system in the latter 3 years of the "Sixth 5-Year" Plan put forward by the State Council. At present, the developing situation is: After 6 months of preparation, the first stage of the substitution of tax for profit turned over to the state has been put into practice since 1 June this year in state-owned industrial and commercial enterprises throughout the nation; in order to bring into better play the role of key cities in organizing production and circulation, and correctly handle the contradiction between departments and regions at different levels, pilot projects are being expanded to link with the reform of governmental organs; and the reform plan of the commodities circulation system in the rural areas is on a trial basis throughout the nation. These reforms are a breakthrough in the original economic system. Though the reforms have already begun, a lot of work has to be performed, and it is imperative to continue in keeping a firm grasp on its progress.

The reform of the whole economic system of our nation has been under intensified study and overall planning, and efforts have been exerted to draw up a plan as soon as possible for trial and practice in some areas, so that reform may be carried out step-by-step in an all-round way during the period of the "Seventh 5-Year" Plan. The all-round reform of the economic system should focus on solving the following problems:

First, reform the planning system, and strengthen the effective management and guidance of the state in the national economy. The reform of the planning system is an important link in the reform of the economic system. It is necessary to abide by the principle of giving planned economy the dominant position with regulation by market mechanism as supplementary, and adopt the three managing methods of mandatory planning, guidance planning, and regulation by market mechanism according to the differences in enterprises, products, and tasks. We must strengthen pre-survey work in the economy, and establish step-by-step scientific systems in decisionmaking in plans, drawing up of plans, comprehensive balance, evaluation, and responsibility, and make complete and perfect the planning system. In correctly making use of administrative and legislative means, it is necessary to make better use of various economic levers such as price, tax, credit loans, and practically strengthen work in statistics and statistical supervision, so as to guide the economic activities of the localities, departments, and enterprises to develop in the correct orientation, and ensure the realization of the fulfillment of the tasks stipulated in the national plan.

Second, organize production and circulation, and develop a unified socialist market in accordance with the requirement of socialized mass production. This mainly means organizing various economic activities centering around cities in accordance with the internal link of economic development, and changing the situation of the separation of regions, departments, and urban and rural areas. We must carry on the reorganization and combination of enterprises in accordance with the principles of coordination between specialized departments and raising economic results, so as to realize the rationalization of the organizational structure and the management system. We must seriously eliminate various barriers and blocks, open up various channels of circulation, and reduce the links in circulation, so as to make commodities flow with ease, and gradually form transregional and trade spanning economic areas and economic networks. Work in this field should primarily begin with big and medium coastal cities, experimental inland cities and some new key construction base areas; regions with an underdeveloped economy and unripe conditions may begin later, at an appropriate time.

Third, reform the financial system, and the wage and labor systems. We must further perfect the system of the substitution of tax for profit turned over to the state, improve and stabilize the distribution relations between the state and the enterprise, and the central authorities and the localities. We must gradually reform the wage system, implement the principle of distribution according to work, and overcome egalitarianism, so as to closely link the incomes of the workers and staffs with social economic results, the effect of the management of the enterprises, and the contributions of the individual in his work. We must gradually reform the labor personnel system

so that workers may be employed or leave the enterprise, and promoted or demoted, and that employment may be carried on through selection of the best and talented people may be appointed. Under the guidance of the national plan we should flexibly regulate the labor force so as to promote the growth of talents and their rational employment.

The various reforms we are and will be carrying out aim to overcome the malpractices and shortcomings in the original system that have impeded the development of productivity, gradually form a new economic system suitable to the state of affairs of our nation, and construct socialism with Chinese characteristics. Such reform is also a revolution, but of course it is not a radical change of the social system. It does not mean shaking and deviating from the socialist system, but is self-improvement and self-perfection on the basis of socialism itself. Such self-improvement and self-perfection are carried on conscientiously under the leadership of the party and the state, under the guidance of Marxism-Leninism-Mao Zedong Thought, relying on the forces of the socialist system itself, and the practice of hundreds of millions of people. Through reform, the basic system of socialism will be more and more consolidated and developed with each passing day, so that its various specific systems may be more and more complete and mature with each passing day, and will promote the smooth advancement of social productivity.

/Question: How will the government gradually meet the needs of the masses of people and, in particular, the youths and teenagers for study and recreation?/

/Answer:/ Vigorous efforts should be made to strengthen the construction of the undertakings of broadcasting, television and movies, publishing, printing and distribution services, and libraries, scientific and technical centers, museums, archives, cultural palaces, children's palaces, and stadiums so as to meet the needs of the broad masses and, in particular, the youngsters for study and recreation. Continued efforts should be made to protect well historical relics. Our works must vividly and incisively reflect the great practice of the Chinese people's modernization program and kindle the great enthusiasm of the people of all nationalities for courageously forging ahead. The nourishment for the mind we are to provide the people must satisfy not only their proper recreational and lofty aesthetic requirements but also, and first, their thirst for knowledge; and must not only enhance their mental realm and moral values but also attain the objective of substantially increasing their ability to understand and transform the objective world.

In order to ensure the quality of spiritual products, the ideological and cultural leading departments at various levels must respect the laws governing art and respect the creative labor of writers and artists. The reform of the literary and art system must be conducted in a properly guided and gradual way. The aim of reform is to promote the prosperity of socialist literature and art, raise the ideological and artistic quality of writers and artists, and improve the ideological level and artistic value of our works. While continuing to overcome "leftist" errors, we must guard against and pay adequate attention to and proceed to adopt effective measures to conscientiously correct the tendency to make purely as commodities, regardless of social effect, certain

spiritual products which have distinctively revealed themselves and made a very bad impression. During a considerably long historical period, we must energetically develop socialist commodity production and commodity exchange but there is an essential difference between ours and commodity production under the capitalist private ownership system, a production which puts profit-making first and is carried out in blind way. Most spiritual products are circulated in the form of commodities. However, we must by no means allow the decadent mentality of "doing everything for the sake of money" spread unchecked in our social life. All serious, patriotic, and revolutionary writers and artists must on no account regard their works and performances as a means of seeking fame and profit and they must extremely treasure the important missions they shoulder for the people and highly value the people's expectations.

/Question: What suggestions are there in the "government work report" concerning the policy toward intellectuals?/

/Answer:/ To further implement the policy toward intellectuals and to give full play to their initiative are the keys to strengthening cultural development. In light of their own actual conditions, all departments and localities must formulate appropriate measures and effectively improve work with intellectuals. There must be a steady and appropriate increase in the remuneration of the labor of intellectuals. In view of the problem at present that the wages of the key members of middle-aged intellectuals are on the low side has become fairly pronounced, despite financial difficulties, the state will allot some money as far as possible to increase their wage income step-by-step to an extent that their wage income is congruous with their posts and professional titles.

/Question: What measures will the government take concerning the strengthening of political and legal work?/

/Answer:/ In order to ensure the smooth progress of the modernization program, continued efforts should be made to strengthen the building of socialist democracy and socialist legality, to augment political and legal work, to wipe out all forms of violation of the law and discipline, negative phenomena existing in the life of the state and society, to bring a turn for the better in the standard of social conduct, and to further consolidate and develop the political situation characterized with stability and unity.

The new Constitution is the general program for the Chinese people to manage their own country. Efforts should be made to educate and organize the people to conscientiously put the new Constitution into effect. Governments at all levels and their functionaries must set an example in resolutely safeguarding the sanctity of the Constitution and be models in carrying out the Constitution. All kinds of disciplinary measures, including demotion and dismissal must be taken against the bureaucrats who have caused grave losses to the state's financial and material resources. Those who violate the criminal law must be investigated and affixed the responsibility for the crime. Those who disregard state laws and discipline, recklessly infringe upon the people's democratic rights, take advantage of their positions and powers to seek private gain, and indulge in economic and other criminal activities must be indiscriminately punished according to law, and we must not show excessive indulgence to them.

We must continue to pay close attention to the work of economic legislation and to administrative legislation. The State Council is to formulate economic laws and regulations one after another so as to meet the requirements of the modernization program. The leaders of government economic departments and economic organizations must strive to learn to make use of legal means to manage economic activities, eliminate all leaks, including weak links which the criminals can exploit for their own purposes, and maintain socialist economic order.

To augment and reform political, legal, and public security work and to handle things in an overall manner are the basic links in bringing about a turn for the better in public security and in the standard of social conduct. We must resolutely suppress all counterrevolutionary activities, continue to forcefully crack down on the criminal activities in the economic and other spheres, and never slacken our efforts in this struggle. At the same time, the political and legal departments at various levels must maintain close ties with the masses, rely on the masses, coordinate and organize the forces of all sides and quarters concerned in society, and do a good job in the work of guarding against crimes and of educating and redeeming the people who have taken a wrong step in life. We must arouse the self-respect of the young people who have taken a wrong step in life and ensure that they are provided the opportunity to earn a normal living.

To meet the needs of political and legal work, it is necessary to vigorously strengthen the building of the contingents of political and legal workers and public security personnel, to comprehensively improve the political and professional quality of the political and legal as well as public security officers and personnel, to raise their social position, to improve their technical equipment, and to increase their combat effectiveness. Energetic efforts should be made to run secondary schools and institutions of political science and law, to do a good job in the regular training of on-the-job political legal as well as public security officers and personnel, and to really build the contingents of political and legal workers and public security personnel into the pillar of the public security force, a well-trained force which enjoys the warm love of the people.

China's socialist modernization is being carried out in a complicated and turbulent international situation. In order to ensure state security and to augment anti-espionage work, the State Council submitted to this congress for approval the institution of the Ministry of State Security so as to strengthen leadership over the state security work.

We must continue to step up the modernization of the national defense and constantly strengthen our defense strength to make it strong enough to meet the needs of the present international circumstances. The PLA must strengthen military training, strive to raise its level of being a revolutionary, modern, and regular armed force, and increase its ability to fight in cooperation and to react quickly under a modern war condition. Efforts should be made to firmly grasp the scientific research, experimentation, and production of weapons in a selective way and accelerate the renovation and replacement of technical equipment. To augment national defense to ensure the smooth progress of China's socialist modernization program is the sacred task which we must never forget at any moment.

/Question: What are the basic principles of China's foreign affairs work?/

/Answer:/ China's socialist modernization program needs a peaceful international situation. Safeguarding peace is the common desire of the people of China and of the rest of the world. The rivalry between the superpowers for world hegemonism is the main source of instability and turmoil in the world today. To safeguard world peace, one must oppose hegemonism. The Chinese Government regards it as her basic principle in dealing with other countries to oppose hegemonism and safeguard world peace and strives to develop relations with the various countries in the world on the basis of the five principles of peaceful coexistence and to promote the development of the cause of human progress.

The basic principles of China's foreign policy have been enshrined in the new Constitution. These principles are entirely correct and the Chinese Government will make unremitting efforts to carry them out. We will consistently stand side by side with all peace-loving and justice-upholding countries and peoples and resolutely oppose hegemonism and fight for human progress and world peace!

/Question: What is the attitude of the Chinese Government toward the reunification of the motherland and the unity of the people of all nationalities across the country?/

/Answer:/ Premier Zhao Ziyang said: The reunification of the motherland and the unity of the people of all nationalities throughout the nation represent the fundamental guarantee for a rich, strong, and prosperous China. China's people of all nationalities including compatriots in Taiwan, Hong Kong, and Macao and Chinese nationals residing abroad are eagerly looking forward to the early realization of the sacred cause of reunification of the motherland. At present, all Chinese people at home and abroad who are willing to see a reunified and powerful China are taking wide range of measures to promote the realization of the objective of peaceful reunification of the motherland. We express our thanks to all people who have made contributions to the reunification of the motherland. We are determined to continue our endeavors to put an end to as soon as possible the situation of an artificial division between the banks of the Taiwan Straits. We will also regain our sovereignty over Hong Kong at an appropriate time and will take appropriate measures to maintain the prosperity of Hong Kong. We must continue to do the work well in all fields, further develop and expand the patriotic united front, strengthen the great unity of all our nationalities, personages of all strata, and all walks of life and all patriotic forces, and make concerted efforts to struggle for the reunification and prosperity of the motherland.

CSO: 4006/648

## NATIONAL POLICY AND ISSUES

### BEIJING COMMENTS ON UNHEALTHY TENDENCIES

OW101032 Beijing Domestic Service in Mandarin 1200 GMT 9 Jul 83

[Station commentary: "Correct Party Style, Stop Unhealthy Tendencies"]

[Text] Two unhealthy tendencies have prevailed in developing the economic construction of the state since the second half of 1982. One of them is arbitrary increases in the prices of means of production, the appropriation of state property for use by individual units, and the appropriation of public property for private use. This tendency has harmed the interests of the state. The other unhealthy tendency is to extort money or other things from those units charged with the duty of building construction projects, fleecing major construction units and the state. These two unhealthy tendencies have decentralized the financial and material resources of the state and wielded some adverse influences on the state's planned economy and major construction projects. What merits attention is the fact that these two unhealthy tendencies are mostly whipped up by some leading cadres in certain units who make use of the masses on the pretext of taking care of the interests of the people and who make use of some people's backward thinking. All this has shown us that to curb unhealthy tendencies, it is necessary to rectify party style. It is impossible to curb unhealthy tendencies if our party style is not rectified. To concentrate our financial and material resources to ensure the development of our major construction projects is another strategic policy decision made by the party Central Committee in economic work. All Communist Party members, particularly all party cadres, should do things on the basis of the requirements put forward by the party Central Committee and consciously identify themselves with the CPC Central Committee. These cadres should ask themselves a question: Is my party spirit pure, is my work style correct, and do my words and deeds meet the standards of a communist party member in implementing this major strategic policy decision of the party Central Committee? In their emergency circular issued on 3 July, the State Council and the Discipline Inspection Commission of the CPC Central Committee pointed out: These two unhealthy tendencies stem from total disregard for the interests of state and for the general situation, and from heeding only the interests of certain departments, small units, and individuals, because they are reflections of an impure party spirit and an unhealthy party style, and because they are acts of violating party and government discipline.

We hope that the cadres and units that are involved in promoting these two unhealthy tendencies will understand the serious nature of this problem in close connection with this emergency circular, earnestly implement the circular, promptly correct their mistakes, and improve party style and social values with actual deeds.

CSO: 4006/663

## ECONOMIC PLANNING

### YUNNAN MEETING ON ANALYSIS OF ECONOMIC ACTIVITIES HELD

HK060953 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 2 Jul 83

[Text] The recent provincial meeting on the analysis of economic activities of industrial and communications departments put forward that it is necessary to shift all work of industrial and communications departments onto the path of regarding the raising of economic results as the center and to adhere to the principle of quality coming first and results being a matter of primary importance so as to raise economic results noticeably in the third quarter of this year.

In view of the problem that current economic results of industrial and communications departments in our province are not very ideal, the provincial people's government entrusted the provincial economic committee withholding this meeting in the last 10 days of June.

Since the beginning of this year, costs in industrial and communications enterprises in our province have risen, their profits submitted to the state have dropped, and their losses have increased. The quality of some products cannot be maintained at a steady high level or has dropped. The amounts of raw materials and fuel consumed have risen. The points won for the composite dynamic index [zhonghe dongtai zhishu defen] has dropped from 85 points in the corresponding period last year to 50 points.

The meeting demanded: It is necessary to change this situation as quickly as possible and to strive for a remarkable improvement in the third quarter so as to ensure a simultaneous increase in income from sales, in profits submitted to the state, and in production in the whole year and to ensure a sharp increase in profits and taxes of 100 million yuan over last year. The quality of products, the amounts of raw materials and fuel consumed, costs, labor productivity, the level of losses, and other work must improve. The points won for the composite dynamic index over the whole year must reach 80 points and above.

In order to raise economic results, the meeting emphasized:

1. It is essential to correct guiding ideology so that raising economic results will really become the subject of the conscientious actions of all factories, mines, and enterprises. It is also essential to conduct strict examination.



2. It is imperative to do well in seriously straightening out enterprises and to do well in straightening out 110 key enterprises. We must analyze one by one, the 24 enterprises which have each incurred a loss of over 500,000 yuan and make them turn losses to profits within a specified time.

3. It is necessary to increase vigorously marketable products, to adhere to the principle of six priorities, and to make good arrangements for light and textile industrial production so as to satisfy the needs of the market.

4. It is essential to grasp firmly the work of improving the quality of products and reducing consumption so as to change as quickly as possible the situation in which the quality of products cannot be maintained at a steady high level or has dropped. We must increase the proportion of the comprehensive bonus paid for points won for quality so that we can keep a connection between improvement in the quality of products and the personal interests of workers. We must do everything possible to reduce the amounts of raw materials and fuel consumed. Beginning in July, we must use the method of levying an additional charge of 50 percent for electricity consumption beyond the quota within the electric grid. We must use the economic method to lower the consumption of energy resources.

5. We must do well in dovetailing production with sales and make the channels for production and sales smooth. Both the industrial and commercial departments must make concerted efforts, promote the sale of products, and raise economic results.

CSO: 4006/648

## ECONOMIC PLANNING

### CHINA DAILY NOTES NPC ASSESSMENT OF ECONOMY

HK080134 Beijing CHINA DAILY in English 8 Jul 83 p 4

[CHINA DAILY commentator: "Key Projects First"]

[Text] During the first session of the Sixth National People's Congress last month, the premier and other government leaders made a sober and candid assessment of the economic situation and proposed ways for solving problems.

In the past few years, the economy has made good progress and maintained a rather high growth rate. There are now more consumer goods available than ever before and the people's incomes have increased considerably. Especially in the countryside, where 80 percent of the people live, both production and consumption have surpassed expectations.

Problems have also cropped up, which, if left unsolved, would seriously affect continued healthy development of the national economy. Outstanding among them is the too rapid increase of investment, especially that in capital construction.

In 1982, capital construction investment by state units was 55.5 billion yuan, which was 11.2 billion yuan more than in 1981 and 11.1 billion yuan more than had been planned for 1982.

#### Weak Links

Capital construction requires energy and transport but they are the two weak links in China's economy. From 1978 to 1982, the total output value of industry and agriculture rose 32 percent, but energy resources increased only six percent. The total volume of cargo transport dropped slightly--from 2.489 billion tons to 2.475 billion tons.

Besides, the supply of raw materials and equipment, the training of technicians and qualified workers also must grow proportionately. China's conditions are quite different from those of developed countries. In old China, everything was extremely backward. There was little industry and hardly any heavy industry. Ninety percent of the population were illiterate.

Ever since 1949, it has been a general hope to make the economy grow faster. However, whenever capital investment grew too fast, stress would appear in other sectors. Because of insufficient energy, transport, raw materials and building force, many projects had to be delayed or stopped, resulting in a low recovery rate on investment.

#### Urgent Projects

Too fast a growth rate would result in projects not include in the national plan hampering those in the plan, and secondary projects hampering major ones. Urgent projects had to be delayed, badly affecting the over-all development.

It is worth noting that last year heavy industry greatly outstripped light industry. The former increased 9.9 percent while the latter only 5.7 percent.

For a long time, heavy industry was mistakenly overstressed while not enough attention was paid to light industry and agriculture. This resulted in disproportion among the various economic sectors.

Starting in 1979, a major effort has been made to adjust the proportions between light and heavy industries. From 1978 to 1982, light industry increased 56.5 percent, while heavy industry only 14.4 percent. This improved the supply of consumer goods and the people's livelihood.

Compared with heavy industry, light industry requires less energy and transport, which was the main reason we could achieve rather high economic growth with a low energy growth rate and a slight drop in cargo volume.

Heavy industry's excessive growth rate last year was the result of lack of control of capital construction investment. Only through strict control of such investment can a co-ordinated development of various sectors of the economy be assured.

CSO: 4020/97

## ECONOMIC PLANNING

### GUANGDONG 'OVERALL PLAN' FOR DEVELOPING SHANTOU VIEWED

HK231412 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 22 Jun 83

[Summary] The Guangdong Provincial People's Government recently approved an overall plan for developing Shantou City. "According to this plan, Shantou City will be built into a seaport city with development of light industry and foreign trade as the main work. According to the overall plan, apart from continuously transforming its old urban areas, Shantou City will exploit the tributary of the Hanjiang River and the two banks of the (Meixi) River to the north in a planned way, rationally readjust arrangements for industry, lay stress on developing cotton textile, fishing nets, drawnwork, garments, ultrasonic electronic industry, food processing, and some small-scale chemical industry. In building the (Longhu) processing area in the Shantou special economic zone, it is now necessary to mainly import foreign capital to set up labor-intensive enterprises whose products meet the needs of markets at home and abroad, such as light industrial products, textiles, electronic products, instruments, meters, daily-use handicraft articles, small machines, precision machine tools, and hardware."

In building the seaport, two additional wharves with 5,000-ton berths will be built in the old port area. A coal wharf with 5,000-ton berths will be built in (Jishi). A passenger transport wharf with 5,000-ton berths will be built at the (Nandi) coast to meet the needs in navigation service for foreign countries, Hong Kong, and Macao. Moreover, it is decided that the coastline of Shantou fishery port will be shortened and that the second seaport operation area will be newly built along the coast east of (Dongfengwen) fishery port in the outskirts of the city, and a freight transport wharf with 5,000-ton berths be also built there. In the west, a special economic zone wharf will be built.

According to this overall plan, (Tuopu) commune in the outskirts of the city will be built into a small cultural city and (Zhuchi) and (Danghao) towns will be gradually built well.

CSO: 4006/648

## ECONOMIC PLANNING

### MEETING SETS INDUSTRIAL PRODUCTION GUIDELINES

OW300235 Shanghai City Service in Mandarin 1100 GMT 27 Jun 83

[Text] The Shanghai Municipal Industrial Work Commission Party Committee and the municipal economic commission held a meeting of cadres who are concurrently party members at the municipal government auditorium on 27 June to make plans for industrial production and political and ideological work during the latter half of 1983. Vice Mayor Zhu Zongbao attended and addressed the meeting.

At the meeting (Li Jiabao), deputy secretary of the municipal industrial work commission party committee and responsible person of the municipal economic commission, made a report entitled "Strive To Quickly Integrate Education While Making Products That Are Marketable." He said: During the first half of 1983, under the correct leadership of the municipal party committee and the municipal people's government and as a result of the concerted efforts of all trades and professions, the growth rate of industrial production in Shanghai has remained relatively high, production levels have risen steadily, better economic results have been achieved, greater efforts have been made to improve technology, enterprise consolidation has been carried out more thoroughly and structural reforms have progressed steadily step by step.

After analyzing the international and domestic markets, (Li Jiabao) said: During the latter half of 1983 Shanghai's markets will be more active and commodity sales volume will further increase. However, production of some manufactured goods, particularly consumer products for daily use, has been increasing rather slowly. The municipal CPC committee and the municipal people's government have attached great importance to this matter and have urged the industrial departments to vigorously increase the output of those commodities in short supply and to cooperate with the commercial departments in arranging the markets for the latter half of the year.

Discussing the requirements for industrial production during the latter half of the year, (Li Jaibao) said: The general requirement is to further implement the principle of readjustment, restructuring, reorganization and upgrading, to conscientiously carry out enterprise consolidation to ensure

its success, to strengthen cooperation between industrial departments and commercial and trade departments, to considerably boost economic results while making products that are marketable, to strive for a sustained and steady growth rate, to ensure the fulfillment of all production tasks this year and to make satisfactory preparations for next year's production.

Huang Ju, member of the Standing Committee of the municipal CPC committee and secretary of the municipal industrial work commission party committee, spoke at the meeting. He urged industrial enterprises in Shanghai to further improve ideological and political work, readjust and strengthen leading bodies at all levels in accordance with the municipal CPC committee's plans and requirements, continue to rectify party work style, strengthen the party organizationally and ideologically at the grassroots level, organize cadres and masses to conscientiously study the guidelines of the first session of the Sixth NPC, ensure success in the ideological and political education program for workers and staff members centered on education in communist ideology, integrate ideological and political work with economic work, heighten the sense of responsibility of cadres and masses as masters of their own affairs and arouse their socialist enthusiasm.

Attending the meeting were (Zhao Dingyu), deputy secretary of the municipal industrial work commission party committee; (Shen Ou) and (Zheng Ci), members of the commission party committee; and (Wu Shuheng), (Xu Qingxiong), (Lin Zhicheng) and (Pei Dingzhi), vice chairmen of the municipal economic commission.

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## ECONOMIC PLANNING

### FUJIAN, JIANGXI, HUNAN ORGANIZE COOPERATION PACT

HK060846 Beijing ZHONGGUO XINWEN SHE in Chinese 1408 GMT 4 Jul 83

[Text] Beijing, 4 Jul (ZHONGGUO XINWEN SHE)--Initiated by Xiang Nan, first secretary of the Fujian Provincial CPC Committee, Hu Ping, Zhao Zenyi, and Liu Zheng, the governors of Fujian, Jiangxi and Hunan, reached an agreement in Beijing on 30 June to voluntarily organize economic and technical cooperation between the three southern provinces.

According to the agreement signed by the three governors, the three provinces unanimously hold that the special policies and flexible measures implemented by Fujian affirmed by the Central Committee are not only suitable for the development of Fujian, but are also very useful for the development of neighboring provinces as well as more extensive areas. The three provinces have decided, under the guidance of the state plan, to adopt flexible and diverse forms, draw on each other's strong points, and carry out long-term, extensive, and mutually beneficial economic and technical cooperation.

The three provinces will actively cooperate to speed up the construction of the double-track railway between Zhejiang and Jiangxi, including increasing the freight transport capacity from Zhuzhou to Pingxiang, and complete as quickly as possible the Xiangtang-Gangzhou-Longyan railway line. At the same time, they must actively open up Meizhouwan, give full play to the superiority of the ports of Fujian, develop the maritime passage of the three provinces, and then, proceed to expand and develop it into the major southwest passageway for the import and export of materials, step up the expansion of Jiujiang port, and bring the role of Jiujiang port fully into play, organize a joint transport fleet and link up inland water transport with maritime transport.

In economic activities with foreign countries, Fujian Province will shoulder the task of being a "go-between," introduce foreign businessmen and customers to Jiangxi and Hunan, and actively provide assistance by introducing technology and equipment. Fujian Province will supply facilities and favorable terms to Jiangxi and Hunan in the direction of import and export trade.

The three provinces will adopt such forms as cooperative management, joint investment, joint exploitation of resources, and compensation trade, as well as the consignment and import of materials for processing on a commission basis, and take advantage of their respective advantages to carry out production and technical cooperation in such fields as weaving and spinning, ceramics, foodstuffs, feed processing, chemical engineering, electronics and machine building. In the fields of agriculture, forestry, animal husbandry, and fishery, they will supply each other with fine varieties, and such advanced technology as improved variety, strain, and breed.

On the premise of better facilities for the import of commodities and more favorable conditions for the development of light industrial production, Fujian will periodically organize material and commodity exchanges with Jiangxi and Hunan Provinces which have an abundance of grain, agricultural sideline products, and mineral resources.

The appendix to the agreement signed by the three provinces also proposed the joint construction of such specific projects as sodium carbonate, cement, rubber vulcanization, compound fertilizer, and mixed feed-processing plants.

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## AGGREGATE ECONOMIC DATA

### PRC INVESTS MORE IN ENERGY, TRANSPORT PROJECTS

OW042047 Beijing XINHUA in English 1159 GMT 4 Jul 83

[Text] Beijing, 4 July (XINHUA)--A state statistical bureau release indicates increases in investment in China's energy and transport capital construction and decreases in non-productive projects.

From January through May this year, the release says, investment in capital construction on petroleum, coal and power industries rose 30 percent over the same 1982 period. This accounted for 23.1 percent of China's total investment in capital construction, compared with 20.8 percent for the same period in 1982.

Investment in construction on transport and telecommunications during the January-May 1983 period was 66.4 percent more than in the same 1982 period. This was 15.1 percent of the total capital construction investment, as against 10.7 percent for the same 1982 period.

In the first 5 months of 1983, the release says, investment in production projects accounted for 63.1 percent of China's total capital construction investment, compared with 59.7 percent in the same 1982 period.

Meanwhile, the proportion of non-productive investment dropped from 40.3 percent to 36.9 percent.

In 1982, the release says, the proportion of investment in energy industry dropped to 18.3 percent of the nation's total investment in capital construction, the lowest percentage since 1976. But the proportion of investment in non-productive projects shot up to 45.5 percent of China's total, hitting an all-time high.

Since the beginning of this year, the release says, the proportion of investment in energy industry dropped to 18.3 percent of the nation's total investment in capital construction, the lowest percentage since 1976. But the proportion of investment in non-productive projects shot up to 45.5 percent of China's total, hitting an all-time high.

Since the beginning of this year, the release says, measures have been adopted by central departments and local authorities to speed up construction of the top-priority projects, particularly those in energy and transport.

## ECONOMIC MANAGEMENT

### SHANDONG COMMENTARY URGES INCREASE OF ECONOMIC RETURNS

SK070734 Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Jul 83

[Station commentary: "Efforts Should Be Made To Increase Economic Returns and To Fulfill Industrial Production Plans in an Overall Way"]

[Text] Since early this year, by implementing the principle of readjusting, restructuring, consolidating, and upgrading, by concentrating on increasing economic returns, and by reorganizing production in line with social needs, the industrial and communications enterprises throughout the province have maintained certain and steady progress in production and have increased economic returns somewhat. Judging from the situation of the whole year, however, there are still great difficulties in scoring a new increase in economic returns. Tasks for further increasing economic returns are still very arduous. Therefore, in making arrangements for industrial production and for increasing economic returns in the latter half of this year, we should by no means, or in the slightest degree, relax our efforts.

To increase economic returns, it is first necessary to further straighten out the guiding ideology and to truly put industrial production on the track of increasing economic returns. At present, a number of comrades still misunderstand policies. They contend that quadrupling annual output value should depend on an increase in output value, so, they have one-sidedly sought the achievement of output or output value. Some, regardless of the state unified plans and their production conditions, even blindly expand their production into products that they have never produced before. Some contend that they do not have to develop new products as long as their current products enjoy brisk sales and they can keep up their production. Some even fear difficulties because they insufficiently estimate their latent production potential. All of these ideas that have hindered the increase of economic returns should be earnestly removed. Efforts should be made to arouse leading cadres at all levels to know well that, speedy progress is required to build socialist modernization. The speedy progress we expect, however, should be in conformity with the premise of increasing economic returns, should not be exaggerated, and should realistically benefit the people. We never expect a speedy progress in production that looks impressive but lacks real worth and will suffer disasters.

To increase economic returns, it is necessary to continuously implement the principle of readjustment and to do a good job in readjusting industrial, product, and enterprise organizational structures. At present, special attention should be paid to making production arrangements in line with social needs. It is necessary to give six priorities in increasing output of products that enjoy brisk sales, particularly to light and textile industrial products. Efforts should be made to invigorate circulation channels of products that enjoy normal sales in order to promote production by sales. It is necessary to adopt measures for imposing restriction on overstocked products and to refrain from conducting blind production.

A good job should be done in consolidating existing enterprises in an overall way, assigning the full complement of personnel to leading bodies, improving responsibility systems of enterprise management, and in strengthening basic work in enterprises. Efforts should be made to actively introduce advanced technology and to conducting technical transformations successfully among existing enterprises so as to upgrade the technical standard of production as soon as possible.

All in all, we should enhance our measures to make every work succeed in the latter half of this year so as to ensure an overall fulfillment of the 1983 annual industrial production plans and to strive to score a new increase in economic returns.

CSO: 4006/661

## ECONOMIC MANAGEMENT

### BEIJING RIBAO ON IMPROVING ECONOMIC RESULTS

HK050741 Beijing BEIJING RIBAO in Chinese 23 Jun 83 p 3

[Article by Zheng Li [6774 3810]: "An Interview With Noted Economist Qian Jiaju on How To Enhance Economic Results"]

[Text] In his government work report, Premier Zhao said: "On the premise of constantly improving economic results, we must strive for the development of production to reach the speed that it can truly attain by our concerted efforts." So how then can we improve economic results? At the First Session of the Sixth CPPCC, the noted economist Qian Jiaju, a CPPCC member, talked to our reporter about this question.

"This is a big question and it is an old question. I expressed my opinions on this question at the CPPCC last year and the year before and today we are discussing it once again, indeed one might almost say that it is a now rather hackneyed topic." Smiling, CPPCC member Qian said: "If we want to improve economic results there are a multitude of problems to be solved and I cannot discuss them all, the most I can do is to discuss a few of the major ones. First, let me talk about the question of conservation and economizing."

CPPCC member Qian believes that while we have stressed economizing for many years, we have usually meant economizing on consumer goods and thus we have ignored the most fundamental kind of economizing, namely, economizing in production. Since 1980, Qian Jiaju has visited Jilin, Shaanxi, and other provinces, 19 in all, and during his visits he has exposed and explained some startling wastage in factory production. In some factories, especially construction sites, waste is very serious, and where production raw materials have to be brought to the site, workers drive to collect them and then lose some of their load without even realizing it. Without doubt, production wastage is what causes production costs to rise. We often say that the United States is a very wasteful country, but in actual fact this is rather one-sided. In the United States, wastage in consumer products is extremely serious and such high-class products as cars, refrigerators and televisions tend to be thrown away after use while there are many products which are discarded after being used only once. However, in terms of production, the United States puts a great deal of emphasis on economizing. Production economizing is given a great deal of attention in the United

States, Japan, and many other capitalist countries. The reason is that the bosses know very well that in order to improve economic results, one of the most important things is to economize in production. There should be strict budgeting and calculations in every case where one feels that it might be possible to reduce the quantity of raw materials being used in the production process or perhaps to use a little less of the labor force. Here Comrade Qian raises an example. When he went to Guilin in 1981, the manager of the Jiashan Restaurant said to Comrade Qian in his words of introduction that the Jiashan Restaurant was constructed with investment from Australia and that there was considerable attention given to economizing on building materials during construction and thus absolutely no wastage was permitted. One day, their supplies of tiling cement were short by three small bags and this was discovered very quickly. If, however, it had not been three small bags, but, say, 300 large bags that had been lost, it is not certain that someone would have discovered the loss. CPPCC member Qian replied with an emotional sigh: "We have things the wrong way round, being wasteful in production and economizing in consumer products. If we say that the United States is the most wasteful country in the world in terms of consumer products than in terms of production wastage China is in much the same position. We stress economizing in consumer products and not in production, but this is basically putting the cart before the horse and it hinders raising economic results."

Qian Jiaju was in the same class as Ju Han at secondary school. In 1932 he graduated from the department of economics at Beijing University. When he was at university in Beijing he read the translated English version of "Das Kapital." Later he read such publications as THE EASTERN MAGAZINE [DONGFANG ZAZHI], NEW CHINA [XIN ZHONGHUA], and SHENBAO MONTHLY [SHENBAO YUEKAN]. In these publications he read those articles which exposed the corrupt financial and economic policies of the nationalist party. When Beijing was liberated in 1948 he returned there from Hong Kong. After the founding of the new China, he still devoted himself to economic research, publishing more than 10 specialized works, such as "New Finance," "What Is State Capitalism?", "Studying Some Problems of Socialist Economics," and "A Discussion of Chinese Socialist Economics." Although CPPCC member Qian is now 74 years old, he is still in good spiritual form and every year he still travels around giving lectures. The question of improving economic results is an economic problem on which he has especially concentrated his research over the last 2 years. After he had finished explaining that in order to improve economic results it was necessary to solve the problem of economizing in the production process, he then moved on to the second problem, namely, the question of constantly recognizing and making use of good laws of value. He believes that we have not made sufficiently good use of law of value and that this has been an important factor affecting the improvement of economic results. Today, China's prices are very irrational and they are not able to represent value, nor do they represent the production value of which Marx spoke (namely the production costs plus average profits). Price and value are split, and an enterprise's production value, profits, and targets are in no way able to illustrate the state of economic results. In saying this he spoke of raw materials, and gave an example. He said: Let us take a ton of coal and a ton of sand. The production costs

for producing 1 ton of coal will always be greater than those for producing 1 ton of sand, and yet the price of coal is much lower than that of sand. The price of coal is too low and is not sufficient in view of its production costs, and this is not good for expanding reproduction, nor is it any good for economizing on energy. Stalin talked of learning this lesson a long time ago. In his book "Soviet Socialist Economic Problems," Stalin used another example when he wrote that while Soviet planners were readjusting the price relations between cotton and grain, they came up with a proposal, namely that the price of 1 ton of grain should roughly equal the price of 1 ton of cotton and that the price of 1 ton of grain should also equal the price of 1 ton of bread. Stalin wrote that this was simply too rational and that the price of 1 ton of bread should always be greater than the price of 1 ton of flour and that the price of cotton should always be higher than that of grain, otherwise who would bake the bread and who would plant the cotton? Stalin wrote this in 1951. It is a pity that so few people in China have studied Stalin's work "Soviet Socialist Economic Problems." Committee member Qian went on to say that the prices of some commodities are too high and that profits are too great, which is not good for production. For example production costs for watches are very low, so why are they so expensive to buy? The result of doing things this way is that some factories simply do not care how irrational their management is, or how low their productivity is, as long as they make money. Other factories, like those producing small products with traditional brand names, do not care about how to improve their management and administration and thus they always suffer losses. Hence, when prices are as irrational as this and when the law of value is not taken into account, it makes improving economic results even harder!

CPPCC member Qian continued: "If we want to consider improving economic results, then we must decide with conviction to destroy the iron rice bowl. How should it be broken? By reforming the worker's wage system." Qian Jiaju continued with profound knowledge: "Our present way of doing things is that the labor department is responsible for the unified assignment of the labor force and for deciding the standards for total wages that personnel do not have the freedom to circulate. Enterprises do not have the power to employ people and thus every person who has been allocated by the personnel department must be accepted, regardless of whether or not you need him or her. Thus people study without being able to put their studies to use and people are employed without being able to make full use of their advantages." CPPCC member Qian went on to say that for many factories it makes no difference whether or not they function and whether they function well or badly and thus egalitarianism and the iron rice bowl manifest themselves to an extremely serious extent. There are even some people who say that this is the superiority of the socialist system, but this is a total misinterpretation of the facts. Originally, the number of workers an enterprise needed was supposed to decrease steadily as productivity increased, but today, workers are able to enter a factory but they cannot leave. The result is overstaffing and how, thus, can labor productivity be anything but low? And therefore more and more workers loaf on the job. It is thus inevitable that factories like this will incur losses. Hence, if we do not solve the problem of the iron rice bowl, then there is no way that we can improve economic results.

When Comrade Qian had finished discussing the above-outlined three questions, he went on to point out very concisely that there was a fourth question that needed to be solved. This problem was that in some people's minds there could still be found the poison of "leftist" thinking. The noneradication of this poisonous "leftist" thinking was a big stumbling block for improving economic results. With deep feeling, CPPCC member Qian said that there are some comrades who seek undeserved reputations and do not really concern themselves with material benefits and thus, when setting the standards of economic development, they always make production value, production quantity, and speed the most important targets and they never consider what the economic outcome or labor productivity will be like. In his government work report, Premier Zhao clearly pointed out that, "We must be firm in correcting those mistakes in economics which cause people to strive one-sidedly for high targets and the blind enlargement of the scale of construction." The laws of economics are without feeling and there is no way in which they can be changed or altered for the sake of people's subjective wills. If these few questions are not solved sufficiently well, then it will not be possible to improve economic results.

CPPCC member Qian Jiaju, who is over 70 years old, has in recent years traveled all over China, carrying out investigative research and lecturing, ignoring all the difficulties and discomfort that this has meant. As he says with profound sincerity: "My life is nearly over. I want to use my remaining years to carry out a great deal of research and investigative work, trying to explore and seek the truth about the objective laws of economics and to find some rational proposals and ideas so that I may contribute all of my strength to China's four modernizations construction program!"

CSO: 4006/661

## ECONOMIC MANAGEMENT

### HEILONGJIANG HOLDS TELEPHONE CONFERENCE ON CHECKING PRICE HIKES

SK060358 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 5 Jul 83

[Text] In order to resolutely check the unhealthy tendencies of arbitrarily raising the prices of the means of production and of apportioning expenses from the construction units, the provincial government held a telephone conference this afternoon.

Deputy Governor Hou Jie spoke at the conference. He said: Since the first half of this year, two unhealthy tendencies have emerged in the course of the state economic construction which will seriously harm the economic development. Many localities, enterprises and establishments have violated the stipulations of the State Council by arbitrarily raising the prices of the means of production and apportioning expenses from the capital construction units. Some have even extorted money from units, and these tendencies have developed to such an extent that the people cannot tolerate them. According to relevant departments, in the capital construction sphere alone, some 20 cases of arbitrarily apportioning expenses from units have occurred in our province. The phenomena of arbitrarily raising the prices of the means of production are very common. In addition, phenomena of arbitrarily and covertly raising the current market prices of consumer goods and increasing noncommodity charges are very serious.

Deputy Governor Hou Jie said: In order to resolutely check the unhealthy tendencies of arbitrarily raising prices, apportioning expenses and issuing bonuses, in line with the guidelines of the directives of the central leaders, the provincial CPC committee and the government issued an emergency circular on 29 June. All localities must conscientiously implement it. At present, we must first check these two unhealthy tendencies of arbitrarily raising the prices of the means of production and of arbitrarily apportioning expenses from the construction units. Efforts must be made to organize the broad masses of cadres and staff and workers to integrate the study of Premier Zhao Ziyang's government work report delivered at the First Session of the Sixth NPC with the study of the emergency circular of the provincial CPC committee and the government, to deeply understand the circular guidelines, foster the mentality of bearing the overall situation in mind and putting the general interest above all, take the initiative in checking and correcting these two unhealthy tendencies and ensure that they will be checked prior to 15 July. It is necessary to immediately go into action to



conduct a comprehensive survey in localities, departments and units on the prices of raw materials including rolled steel, pig iron, cement, timber and coal, set since 1 January this year. All units that have violated the stipulations of the State Council and have invented all sorts of names to raise prices and to increase charges must immediately cancel the over-charged portions and must resolutely implement the price policies stipulated by the state. All localities, departments and units must, beginning today, cancel all illegal charges apportioned from the construction units. Meanwhile, efforts must be made to mobilize consumers to sort out the material varieties which they have bought at a high price, the prices of products and the supply units and report them to higher authorities. All localities, departments and units must implement the emergency circular and conduct a comprehensive survey on commodities related to the livelihood of the people and strictly deal with all cases of arbitrarily and covertly raising prices and increasing charges. Meanwhile, all industrial, commercial and pricing departments as well as relevant departments must maintain close cooperation in conscientiously investigating and consolidating state-run enterprises, individual trades and village fairs which have arbitrarily raised commodity prices so as to resolutely check the tendency toward price hikes. All illegal gains from arbitrarily raising prices of the means of production and from apportioning expenses from the construction units must be confiscated. Serious violators must be punished by meting out party and political discipline in line with stipulations. Those who have seriously violated the criminal law must be punished according to law.

CSO: 4006/661

## ECONOMIC MANAGEMENT

### LIAONING CALLS FOR CONSOLIDATING ENTERPRISES

SK271220 Shenyang LIAONING RIBAO in Chinese 6 Jun 83 p 1

[Editorial: "Firmly Attend to Enterprise Consolidation"]

[Excerpts] Since implementing the principle of readjusting the economy, a group of enterprises throughout the province whose material consumption is high, whose product quality is poor, which suffer from long-term losses and whose production is duplicative have been closed down, have suspended operations, amalgamated with others or switched to the manufacture of other products, and a group of enterprises have been organized into various forms of specialized companies, general factories and integrated economic units. Thus, the specialization level of enterprises has been raised and certain achievements have been made in the rational distribution and structure of industrial and communications enterprises. However, enterprise readjustment work still has a long way to go. Up to the present, a vast number of enterprises have been carrying out "comprehensive production on a large and small scale" and their specialization level is very low. Some similar technological processing installations are duplicative and some products are still in duplicate production. Some departments and localities proceed from partial and local interests to carry out complete processing for some products--such as bicycles, sewing machines, clocks and watches--whose production should be carried out by combined efforts of specialized factories under a unified plan. As a result, fixed cooperative enterprises are separated, great sums of investments have been spent, and some products are in duplicate production. Control has been lost over the scale of development of some products and the specialization level has been reduced by a large margin.

Under comprehensive production and blind development, and failing to maintain a comprehensive balance, these enterprises have had grave effects on our province's economic construction.

We must go into immediate action, closely link enterprise consolidation, carry out the management responsibility system and economic reforms, and attend to enterprise readjustment in a planned, step-by-step and drastic manner in the light of the demands of the State Council. Those enterprises which the State Council has decided to close down, suspend, amalgamate or convert their

production lines and which scramble for energy, materials and transportation capacity and markets with advanced enterprises, should be determined to close down, suspend, amalgamate or switch to the manufacture of other products, so as to transfer the surplus energy and raw materials to advanced enterprises. Those enterprises whose production is duplicated and whose distribution is irrational should be readjusted in line with the principle of choosing the best. Through readjustment, the enterprises should try every possible means to manufacture marketable products, or such enterprises may be amalgamated with those enterprises whose production tasks have been fulfilled. Enterprises without conditions for production should be switched to commercial, catering, service or repair trades as soon as possible.

Enterprise readjustment should be carried out in coordination with reorganization and integration according to specialized production. Trades and enterprises with favorable conditions for specialized production should rationally divide their tasks and organize specialized and cooperative production in an economic and rational manner. Trades and enterprises which have been organized into specialized cooperatives should organize production in accordance with the demands of plans. Surplus factories, which have complete technological systems and engage in blind development, should resolutely be readjusted.

From now on, we should take forceful administrative and economic measures to resolutely stop enterprises engaging in comprehensive production, duplicate construction and blind development. Only with the approval of responsible departments and planning departments can enterprises expand their capacity and set up new factories.

Responsible departments should not issue business licenses to, allocate funds to or supply energy and raw materials for those enterprises which start business without approval and authorization. We should take disciplinary measures and economic sanctions against enterprises which cause serious losses to the state and the collective by engaging in comprehensive production and blind construction, regardless of persuasion.

Leading comrades at all levels should correctly handle relations between the part and the whole. We should enthusiastically carry out the comprehensive readjustment in a timely manner and make new contributions to rationalizing the distribution and structure of enterprises and to comprehensively raising their economic results.

CSO: 4006/648

## ECONOMIC MANAGEMENT

### SHAANXI MEETING ANALYZES LOSSES IN ENTERPRISES

HK241101 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 24 Jun 83

[Text] From 18 to 21 June, the provincial economic commission, planning commission, and financial department held a discussion meeting to analyze reasons for losses incurred in some industrial enterprises and to study due policies and measures for stopping losses. People attending the meeting included responsible leaders of the departments concerned at provincial, city, and prefectural levels and factory directors and relevant personnel from 38 major enterprises incurring financial losses.

People generally held in their discussions that financial losses incurred in industrial enterprises may be ascribed to six major reasons: 1) The enterprises are not properly managed and operated and this causes poor product quality, high production costs, and weak competitive power. 2) The enterprises are short of production assignments and orders. 3) Overheads in the enterprises have increased in recent years. 4) The prices fixed for their products are not reasonable. 5) The capital construction of the enterprises was not up to the standard and they cannot attain the planned capacity after being put into operation. 6) The enterprise leadership is not competent.

Comrades attending the meeting said: although losses can be attributed to many reasons, the most important reason is still the weakness of the leadership in the loss-incurring enterprises and the shortcomings in their management. Therefore, the key to stopping losses is to improve enterprises' operation, management, and economic results.

(Xi Qunfugn), deputy director of the Shaanxi Diesel Engine Plant, said: We have bitterly suffered from the neglect of product quality, management efficiency, business accounting, and economic results while merely paying undue attention to output and output value. In the 13 years of our operation, we have incurred losses in 7 years. Since the 12th CPC National Congress, we have shifted our focus onto the attainment of better economic results and have started to pay keen attention to product quality and variety. We have also conducted two-level business accounting. In the first 5 months this year, we achieved 130,000 yuan of gross profits.

Deputy director of the Xian Steelworks (Li Jianyi) said: Due to the influence of leftist ideology in the past, we only emphasized the need to increase steel output and paid no attention to economic results, thus resulting in prolonged losses. Now, our factory has adopted an economic responsibility system and has paid close attention to improving weak links in the process of production. Thus, financial losses have been lessened.

Through discussions, people attending the meeting enhanced their understanding of the issue and worked out plans and measures for stopping losses. Zeng Shenda, secretary of the provincial party committee, and Zhang Bin, provincial vice governor, attended the meeting. In his speech, Comrade Zeng Shenda stressed that enterprises incurring losses must not think that their losses are unavoidable. They must have a high sense of responsibility and boost their spirits so as to make greater contributions to the state.

CSO: 4006/648

## ECONOMIC MANAGEMENT

### CPC ORGANIZATION OFFICIAL ON ENTERPRISE CONSOLIDATION

OW040457 Beijing XINHUA Domestic Service in Chinese 1245 GMT 2 Jul 83

[Text] Beijing, 2 Jul (XINHUA)--In a statement to XINHUA, a leading member of the Organization Department of the CPC Central Committee said that, regarding the consolidation of enterprises, an important issue needing to be urgently resolved this year is to uphold the standards and speed up the consolidation of leading groups of enterprises.

After reviewing the achievements by various regions and departments in consolidating leading groups of enterprises over the past year or so, the leading member pointed out that, seen from the overall situation in consolidating leading groups of enterprises, the achievements are uneven. Statistics show that, by the end of last year, only approximately 60 percent of the first group of enterprises designated to be consolidated had completed the projects, but that the results of about half this 60 percent are not up to standard. The main problems lie in the group members' low educational level, the lack of really proficient personnel, professional posts not being filled and the structure being irrational. Because of this, the performance of certain consolidated enterprises has not improved. The leading groups of these enterprises must be reinforced or reconsolidated this year. The consolidation of the 2,300 or so large and medium-size backbone enterprises, in particular, must be expedited. At present, there are still 1,500 to 1,600 enterprises whose leading groups have yet to be consolidated, or reconsolidated because of substandard consolidation results. The leading groups of these large and medium-size backbone enterprises must be properly readjusted as soon as possible.

The leading member of the Organization Department of the CPC Central Committee maintained that certain departments and enterprises have failed to take the mass line or fully considered the cadres' qualifications in terms of their revolutionary competence, educational level and professional proficiency. He said these departments and enterprises thought their leading groups had been properly readjusted, simply because they had retained the younger members of the original groups and filled the vacancies left by others with a few scientists or technicians. This is an important reason why the leading groups of some enterprises have not been properly consolidated according to prescribed standards. He said that, while selecting cadres, attention must be directed to their political competence, age and educational qualifications,

especially their political competence. That is to say that, in addition to the factor of revolutionization, which is the prerequisite, the cadres to be selected must be younger in average age, better educated and professionally more competent, so that, not only are the members of a consolidated leading group qualified in these areas, but all slots in the group must also be filled. This means that, not only would there be scientific and technical cadres, but there should also be cadres to take charge of management and logistic services, and that it would really become an enterprising leading group, with organizational leadership and capable of creating a new situation for the four modernizations.

The leading member of the Organization Department of the CPC Central Committee also elaborated on the criteria for a consolidated leading group. He said: At least 50 percent of the members of a consolidated leading group of a large or medium-sized enterprise should be university or technical secondary school educated, or technicians of corresponding levels. By 1985, the directors and managers of a large or medium-sized backbone enterprise must be at least college educated, with knowledge in scientific, technical and economic management, and they must have economic or technical titles. The secretaries of the enterprise party committee must also make an effort to attain this goal. In these enterprises, the deputy factory directors or deputy managers in charge of production, technical and management affairs, and those who are responsible for planning, designing, production, technical procedures, quality control, equipment and supply and marketing should be university- or technical secondary school-educated technicians or managers or those who have achieved the same proficiency through independent study. At the same time, economic, scientific and technical cadres, who have a strong party spirit, who are fair, just and honest, who have emancipated minds, and who are college-educated, young and capable, should be promoted to leading posts in the departments which take charge of personnel, propaganda and other party affairs.

Regarding how to uphold the prescribed criteria and speed up the consolidation of leading groups of enterprises, the leading member of the Organization Department of the CPC Central Committee presented the following opinions:

1. Ideologically, we must continue to combat the "leftist" influence, in order to remove the obstacles hindering the promotion of professional technicians to the leading groups.
2. We must improve and enforce organizational leadership over the consolidation of leading groups of enterprises and should not weaken leadership because of administrative reform in various provincial, municipal and autonomous regional organizations.

3. While consolidating the leading group of enterprises, we must take the mass line and adopt such means as democratic recommendation, public opinion polls and appraisal of cadres at workers' congresses.

The leading member of the Organization Department of the CPC Central Committee concluded that, after the leading group of an enterprise has been consolidated, it must continue to display the spirit of reform and strengthen ideological and professional work. He said the new leading group must have a new mental and physical outlook and a new work style, and it must strive to create a new situation for the enterprise and consolidate and develop the results of consolidation.

CSO: 4006/648



## ECONOMIC MANAGEMENT

### YUAN BAOHUA STRESSES CONSOLIDATING ENTERPRISES

OW060041 Beijing XINHUA Domestic Service in Chinese 1533 GMT 4 Jul 83

[By reporter Ren Zeli]

[Text] Beijing, 4 Jul (XINHUA)--Yuan Baohua, head of the national leading group for the consolidation of enterprises, said today: Achievements have been scored in consolidating various enterprises in farm reclamation and aquatic production. From now on we must strengthen our leadership, improve economic results and pay attention to the political and ideological education and technical training of workers and staff members.

Yuan Baohua made this remark at an enlarged session of the national leading group for the consolidation of enterprises in Beijing. Today's session examined the work of consolidating enterprises in farm reclamation and aquatic production. In his speech, Yuan Baohua reaffirmed the achievements made in consolidating enterprises in farm reclamation and aquatic production during the past year. He pointed out: The experience of the past year is of great significance in further quickening the pace and improving the quality in consolidating enterprises in farm reclamation and aquatic production.

Yuan Baohua added: From now on we must emphasize the following three tasks:

1. Party committees and governments at all levels must strengthen their leadership over the work of consolidating enterprises in farm reclamation and aquatic production, study and solve new problems which have cropped up in the course of consolidating these enterprises, and help enterprises readjust their leading bodies. All enterprises in farm reclamation and aquatic production should follow the guidelines laid down by the central authorities. They must not wait for and rely on others in consolidating themselves. They should lose no time in consolidating themselves.
2. Consolidation of enterprises must be carried out with emphasis on improving economic efficiency. Those enterprises that have been consolidated should have higher economic efficiency than before and than their respective best efficiency. Some of them should strive to raise their economic efficiency to that of similar enterprises at the national level.
3. It is necessary to strengthen education on revolutionary traditions and ideals among workers and staff members, particularly among young workers, and to help them raise their political awareness and improve their technical and vocational skills.

## ECONOMIC MANAGEMENT

### YUNNAN COMMENTARY ON RAISING ECONOMIC RESULTS

HK060955 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 2 Jul 83

[Station commentary: "Take Effective Measures To Ensure the Shifting of the Path of Economic Work"]

[Excerpts] Shifting all economic work onto the path of regarding the raising of economic results as the center is the call which the First Session of the Sixth NPC issued once again. Now, the first half of this year will soon be over [as heard]. All people throughout the province have universally shown concern about the problems of how the path of economic work in our province has been shifted and what the economic results of industry this year are. We must affirm that since the 3d Plenary Session of the 11th CPC Central Committee, our province has made great efforts in raising economic results and has made a certain progress.

However, the work of regarding the raising of economic results as the guiding ideology of all economic work is still not ideal enough and is not developing evenly. In such circumstances, some enterprises have increased production while their income has dropped and in some others, production and income have both dropped. The consumption of raw materials and fuel in some enterprises has risen. The quality of products of some enterprises has dropped seriously. Our close attention must be drawn to this.

Why are economic results not ideal enough now? The reasons are:

1. The influence of habitual practice--some of our leading comrades have agreed on laying stress on economic results, but their habitual practice of attaching importance to speed and disregarding results and attaching importance to the quantity of products and disregarding their quality can hardly be corrected.
2. Leading comrades of some departments and enterprises have not attached sufficient importance to economic results, have not studied them enough, and have not taken economic results into consideration. Some have even held that this is a matter for planning, statistical, and financial departments.

3. In the system of examination of economic work, some current methods are not beneficial to the promotion of economic results. Some systems and methods actually encourage enterprises and workers to concentrate on output value and speed. The provincial department in charge of economic work recently held a meeting on the analysis of economic activities. On the basis of affirming the results and looking for discrepancies, the meeting formulated the system of strengthening leadership and conducting regular analysis of economic activities. Labor will be divided, with individual responsibility, and key enterprises will be straightened out. Industrial and commercial departments must make concerted efforts to make their circulation channels smooth. This is a good start in ensuring the rapid shifting of the path of economic work. We hope that these measures will be carried out as quickly as possible. They must also be carried out persistently and to the end until good results are achieved. Moreover, it is also hoped leading comrades at all levels on the economic front throughout the province will be inspired by their revolutionary enthusiasm, quickly concentrate their main energy on grasping economic results, and strive for a noticeable improvement in economic results throughout the province in the third quarter.

CSO: 4006/660

## ECONOMIC MANAGEMENT

### TIANJIN URGES EFFORTS TO CHECK PRICE HIKES

SK060945 Tianjin City Service in Mandarin 0030 GMT 6 Jul 83

[Text] The municipal people's government held an emergency meeting on the afternoon of 5 July, urging efforts to resolutely check the unhealthy tendencies of arbitrarily raising the prices of the means of production and of apportioning expenses from the construction units.

The emergency meeting pointed out: Recently, two unhealthy tendencies--arbitrarily raising the prices of the means of production and apportioning expenses from the construction units--have emerged at some industrial enterprises. If we fail to resolutely check such tendencies, the state construction projects and the masses' benefits will be seriously damaged. Leaders at all levels must pay special attention to this problem.

To resolutely check these two unhealthy tendencies, the municipal people's government has raised the following suggestions:

1. The municipal people's government calls on all districts and bureaus to relay the guidelines of this emergency meeting to lower levels on 6 July and organize leading cadres at all levels to conduct conscientious discussion in an effort to enhance their understanding, unite their thoughts and work out ways to implement the guidelines of this emergency meeting.
2. Establish organizations and strengthen leadership. The municipal people's government has decided to establish two leading groups headed by principal responsible comrades to inspect and check the unhealthy tendencies of arbitrarily raising prices and apportioning expenses from other units. Offices should be established under these two leading groups to develop the work. All localities should establish organizations or assign some persons to take charge of this work in line with their own practical situations. In terms of some key units, leading comrades should personally engage in this work and cooperate with other relevant organizations to develop it.
3. All the units which have violated the stipulations of the state by arbitrarily raising the prices of the means of production and apportioning expenses from other units should immediately stop doing so in line with the

guidelines of this emergency meeting. At the same time, a comprehensive survey and spot checks should be conducted so as to stop these two unhealthy tendencies before 15 July. More severe punishments will be imposed on those who refuse to correct malpractices or intentionally conceal their mistakes. The content of this inspection is: the amount and variety of the means of production which have been purchased or marketed at an arbitrarily raised price since 1 January this year; the range and the sum of price hike; and the situation on arbitrary apportioning of expenses. In this inspection, top priority will be given to rolled steel, pig iron, cement, timber, coal, coke, soda, and caustic soda. All relevant units should report the situation in this regard to the municipal people's government in a timely manner.

4. It is necessary to strengthen the discipline inspection work. Discipline inspection departments at all levels should regard the checking of these two unhealthy tendencies as an important task for the present discipline inspection work and actually pay attention to this work. As for those who arbitrarily raise the prices of the means of production in a serious manner, who conceal their mistakes, or who refuse to deliver the illegally gained money to higher authorities, severe punishments will be given to them in accordance with the party and political discipline and with relevant stipulations.

5. It is necessary to strengthen the work of propagation and reporting. Good units and good experiences should be commended and the units which violate the state stipulations and refuse to correct their mistakes should be criticized so as to develop this work in a penetrating manner.

CSO: 4006/660

## ECONOMIC MANAGEMENT

### HUBEI CURBS 'EVIL TENDENCIES' IN ECONOMIC FIELD

HK081402 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 6 Jul 83

[Text] The provincial government and the discipline inspection commission of the provincial CPC committee held an urgent telephone meeting yesterday evening, demanding that the evil tendencies of recklessly raising prices of production means and arbitrarily exacting charges on construction units must definitely be checked within the province by 15 July.

In his speech to the meeting, Comrade Huang Zhizhen said: In the latter half of last year, two evil tendencies which seriously jeopardize the development of the national economy, began to prevail in the state's economic construction. In violation of the regulations stipulated by the CPC central authorities and the State Council, the authorities of quite a lot of prefectures and many enterprises and nonproductive institutions have recklessly raised the prices of production means and arbitrarily exacted charges on capital construction units or even extorted money from the latter. These tendencies have now grown to an intolerable degree. It is necessary to resolutely check these two evil tendencies, which ignore the interests of the state, disregard the overall situation, take the interests of one's own department and small unit or one's personal interests as the starting point, represent impure party character and unhealthy party style, and violate party and government discipline.

Huang Zhizhen said: In order to concentrate financial and material resources to ensure the completion of key projects, to strictly safeguard party and government discipline, and to resolutely check these two evil tendencies, the provincial government decides that all steel products, pig iron products, cement, timber, coal, and other production means which are produced by enterprises under the system of the ownership by the whole people and are subject to the price control by the state, whether they are included in the state plan or not or are surplus products, must be priced strictly according to state regulations. All extra charges collected by raising prices and fees without permission and under special pretexts in violation of the state stipulations concerned, or by exacting additional charges on customers under the pretext of raising funds to accommodate joint management, or with the agreement of the payers, must be cancelled immediately. All decisions concerning price increase made by the units concerned without authorization and all contracts signed thereby now

cease to be effective; the price list set by the state must be followed instead.

Huang Zhizhen demanded that all prefectures, cities, and counties promptly set up special working groups to make a thorough examination of the prices set this year by all subordinate enterprises for steel products, pig iron products, cement, timber, coal, and other raw materials and fuel. All illegal income derived from raising prices, increasing prices in a disguised form, or exacting additional charges without authorization, must be confiscated. Those people who bear the principal responsibility for the above-mentioned practices must make self-criticism, those who have made serious mistakes are subject to disciplinary actions by the party and the government, those who have seriously violated the law must be penalized accordingly, and those who conceal and refuse to turn over their illegal incomes will be faced with extra penalty. On the other hand, the approved provisional prices for steel products must also be readjusted.

As for the portion of those products retained and to be sold by steel and iron enterprises themselves with the authorization of the state, the prices are allowed only to float upward within 5 percent. Those cases of various charges to construction projects must be handled discriminately. All charges exacted without authorization or extorted by different prefectures, departments, and units are now cancelled, and construction units and banks at different levels in charge of financing construction projects must resolutely refuse to pay these charges.

Huang Zhizhen emphasized that the decision to check the reckless raising of prices and the arbitrary exacting of charges is a matter which has an important bearing on the steady development of the national economy and the rectification of party style and general mood of the society. Party committees and governmental departments at all levels must strengthen leadership, remove obstacles, and conscientiously see that this job is done properly. Implementing the guideline of concentrating funds to finance key projects, stabilizing the economy, and checking the evil tendencies of recklessly raising prices and arbitrarily exacting charges must be taken by party discipline inspection departments at all levels as one of their important tasks in the field of discipline inspection. In coordination with all departments concerned, party discipline inspection departments at all levels must mend their pace in handling cases of violation of discipline and take strong actions against those party-member cadres who have seriously violated the law and discipline, penalizing those who deserve penalties, dismissing those who deserve dismissal, and passing sentence on those who deserve a sentence. No malpractice is to be winked at and shielded. All those who do so are liable to prosecution. All the personnel who fail to correct their mistakes by 15 July must be rigorously penalized.

While checking the evil tendencies of recklessly raising prices and arbitrarily exacting charges, units in different places must also keep production and construction going on as usual. No unit is allowed to halt and suspend production and construction under any pretext.

CSO: 4006/659

## ECONOMIC MANAGEMENT

### SHANXI MEETING CALLS FOR RAISING ECONOMIC RESULTS

SK080659 Taiyuan SHANXI RIBAO in Chinese 12 Jun 83 pp 1-2

[Excerpts] On the evening of 7 June, the provincial government held a telephone conference, calling for all staff members and workers on the industrial, communications, financial, and trade fronts to carry forward the spirit of building an enterprise through arduous efforts, to seek truth from facts, to quietly immerse themselves in hard work, to strive for raising the economic results, and to make new achievements in comprehensively creating a new situation in socialist modernization.

Deputy Governor Yan Wuhong presided over and delivered a speech at the conference. Attending the conference were responsible persons of all the concerned provincial-level departments, all specialized trades, all cities, and some enterprises. At the beginning of the conference, the Taiyuan Iron and Steel Company and the Xinxian administrative office separately introduced their experiences in further correcting the ideology that guides economic work, in ceaselessly tapping the potential of enterprises and in trying all means possible to raise economic results.

Comrade Wang Xi introduced the situation of our province's industrial and communications production and revenue in the January-May period and put forward some problems that need settling at present. He said that the fresh experiences of the Taiyuan Iron and Steel Company and the Xinxian Prefecture's industrial and communications enterprises in raising economic results merit our attention and study. After that, he comprehensively analyzed the situation of our province's production and economic results in the January-May period.

In the January-May period, the total industrial output value was 5.94 billion yuan, fulfilling 43 percent of the annual plan, an increase of 12.5 percent over the corresponding 1982 period.

The accumulated revenue was 857 million yuan, an 11.54 percent increase over the same 1982 period. Of this, the profits handed over to the state by local state enterprises showed an increase of 15.07 percent and the per capita labor productivity, 9.9 percent. The quality of 73 of 100 major industrial products was higher than that of the same 1982 period, and the consumption of 60 of 100 major raw materials, fuels, and power was lower than in the same 1982 period.



Better achievements have been made in communications and transportation. In the first 4 months of this year, the railway freight volume increased 4.73 percent over the same 1982 period. Of this, the coal transportation volume increased 5.1 percent. The circulation volume of goods transported over highways showed an increase of 11.8 percent over the corresponding 1982 period.

The sales volume of rural markets increased by a large margin. In the first 4 months of this year, the total volume of retail sales of commodities reached 2.21 billion yuan, 13.3 percent over the same 1982 period. In short, in the first 5 months of this year, our province's industrial, communications, financial, and trade output got better and better and achieved new economic results. While further improving the economic responsibility system, all localities, departments, and enterprises enthusiastically carried out the system of substituting taxes for the delivery of profits in line with the spirit of reform, the decision of the State Council, and actual conditions. However, some problems still existed; for instance, high consumption of raw materials, fuels, and power and the high cost and low quality of products are the weak links in our province's current economic work. Therefore, we must continue implementing the guidelines of the national and provincial industrial and communications work conferences and center on solving the following problems.

1. Continue correcting the ideology guiding the economic work.
2. Ensure that the industrial enterprises overfulfill this year's profit delivery task.
3. Adopt effective measures to reduce the cost of products.
4. Further expand avenues for selling products to reduce overstocking of products.
5. Strengthen the management of issuing bonuses and strictly control unreasonable issuing of bonuses among enterprises.
6. Further speed up the pace of enterprise consolidation in a comprehensive way and conscientiously examine and accept the enterprise consolidation work.

CSO: 4006/659

## ECONOMIC MANAGEMENT

### BRIEFS

HUMAN ECONOMIC UNITS ESTABLISHED--The Hunan Provincial Economic Structural Reform Committee and the provincial economic research center were recently established. These two organs work in the same building. They will play an important part in promoting the economic structural reform and economic research in the province. [Summary] [Changsha Hunan Provincial Service in Mandarin 2310 GMT 28 Jun 83 HK]

CSO: 4006/648

## FINANCE AND BANKING

### PEOPLES' BANK STRIVES FOR ENHANCEMENT OF ECONOMIC RESULTS

Shanxi SHANXI RIBAO 23 Apr 83 p 2

[Article by Zhang Yi [1728 3015], director of the Shanxi Provincial Branch of the People's Bank: "The Work of Banking Should Serve the Enhancement of Social and Economic Results"]

[Text] The major channel through which the work of banking serve social and economic results is the extension of circulating fund loans in the sphere of production circulation, and the extension of medium- and short-term equipment loans in the sphere of fixed assets. How to use these loans rationally to stimulate increased production, to speed up capital turnover, to reduce the use of capital, and to increase profit becomes an important indicator to evaluate the good or bad social results of the work of banking.

This year is the first year in the creation of a new situation in the construction of socialist modernization, a crucial year in striving for the full-scale realization of the Sixth 5-Year Plan, and the year in carrying out reforms. Therefore, the People's Bank, in accordance with the spirit of "following through with the spirit of the 12th National Party Congress of maintaining the stability of the currency, of actively raising funds, of enhancing the funds' benefits, of reinvigorating financial work, and of stimulating economic and technological development so as to contribute more in realizing the fundamental improvement of fiscal and economic conditions and the laying of a good foundation for the revitalization of the economy," will definitely make a good job of the following tasks and improve the social and economic benefits of credit capital.

1. The direction and amount of circulating fund loans should focus on guaranteeing results, key points and speed. Our province is the nation's base for energy and heavy chemical industry. In the extension of circulating fund loans, the bank should follow the principle of "treating with distinction and supporting those that are good," and "determining the loan on the basis of sales," and stress the support of the development of energy, communication and chemical industries in the granting of loans. For light and textile industries, the bank should, in accordance with the needs of the market and under the premise of guaranteeing quality and variety, give preferential loan support to those products that sell well, that are well-known brands, and that are in short supply. For products that show a balance between production and marketing, the main thing is to support the industry in the improvement of quality

and maintenance of steady production. For overstocked products, the bank should, on the basis of planned production limits, reduce the loans or not extend any loans at all. For products that are inferior in quality but are high in prices and which are manufactured in a rough and slipshod way, the bank cannot increase the loans. For heavy industries, the bank should support the continual readjustment of product mix and change the direction of service, so as to promote its service and change the direction of service, so as to promote its service to energy, light industry, energy conservation and export products. For products prescribed in the Seventh 5-Year Plan as prepared by the state, the bank should also provide loan support. Commercial loans should be based on the principle of "determining the loan on the basis of sales," and assist commercial enterprises in incoming stocks, to procure marketable, good and inexpensive products, to increase the market supply and to help the commerce department handle cash in transit. As for production that blindly expands or duplicates construction or whose plans have not been approved by the state, and products in excessive supply whose procurement exceeds the planned production limits, as well as for those who produce and procure goods which have no marketability, which use a lot of energy, whose qualities are bad, and whose costs are high, the bank should tighten the extension of loans to promote their improvement.

2. In the extension of medium- and short-term loans, the bank should follow through with "small investment, rapid results, and lots of benefits," and aim at the enhancement of economic results. The stress should be placed on supporting the enterprises in adopting new skills, new equipment, new technology and new materials, in raising the level of production technology, in improving the functions and quality of products and increasing their varieties, and in accelerating the updating and replacement of products. As for the increase in the ability of products to meet the changes in domestic and foreign markets, the bank should support products that are in short supply in the enterprises, and increase consumer goods and production materials that are badly needed and in short supply. It supports the enterprises to reduce the consumption of raw materials, to conserve energy, to increase comprehensive utilization; it supports medium and small enterprises to bring in advanced technology and equipment to produce new products that exceed international standards. The loans should guarantee those continuous projects in the plan that have been confirmed by repeated evaluation as definitely guaranteed, as well as technological transformation projects that have been approved by the state. As for projects that have good social and economic results but that are poor in the capability to repay the loans, the bank can extend the time limit for the repayment. As for technological transformation projects and projects developing new technology which lack the capability to repay, the bank can even give them special consideration as far as interest rates are concerned.

3. Integrate with the reform of the economic system and further reform the credit management system. This reform is also for the enhancement of economic results. Comrade Hu Yaobang has correctly pointed out: "the reform should be implemented throughout the entire process of the four modernizations, and this should become a most important guiding ideology in our party's leadership of the four modernizations." He also pointed out: "If bringing order out of chaos has laid down the preconditions for the construction of modernization,

then, reform - i.e., the destruction of the old and creation of the new, must provide the reliable guarantee for the victory of the construction of modernization." Various reforms in the economic sphere will move ahead one step at a time, and the credit management system must integrate with the reform of the economic system in proceeding ahead step by step. Therefore, this year, the bank will carry out the following reform test points: first, the enterprises' circulating funds which have been managed by both state finance departments and the bank will be managed by the People's Bank alone, so as to bring into full play the bank's function of using the rate of credit as a lever and avoid the wrangling between the bank and state finance offices resulting from dislocations in the supply of funds. Next, the linking up of consolidated circulating funds and medium- and short-term equipment loans. A fixed ratio of the portion of funds which have been saved as a result of attaining the state assigned rate of accelerated marketing funds or the targeted number of days for the turnover of circulating funds, can be taken out and used as a norm for loaning circulating funds that have been saved in order to support technological transformation projects. Third, to use floating rates in certain enterprises, and to use the turnover speed of circulating funds of the enterprises as the basis for the bank's management of loans and the practice of floating rates. For the enterprise which, basing on the plan, delays the turnover of funds, the bank will float upwards to the extent of 20 percent of the current loan rate for the amount of loan that has been used excessively because of the slowness in turnover. Fourth, meeting the needs of the reform of the economic system, the bank should provide support in the extension of loans in the settling of accounts with contract households, enterprises substituting taxes for profits, individual enterprises, and enterprises that are just being established. For enterprises producing new products which use new technology in their production and which for the time being cannot be certain of sales, the bank should also arrange seller's credit to support these enterprises in the production of new products.

4. Greatly develop the potential of material funds. This is also an important measure in increasing the economic results of credit funds. This year, the state requests that the turnover of circulating funds for our province's industrial enterprises be accelerated by 3.3 percent, and that of commercial enterprises be accelerated by 5 percent. Basing the calculation just on the industrial enterprises, the fulfilment of this task will save relatively 122 million yuan of funds. Therefore, besides supporting the enterprises in increasing production and expanding marketing, the banking departments should also assist the enterprises in sorting out materials and funds that are used irrationally, clear up loans between enterprises that are mutually in arrears, and in handling overstocked materials, so as to enhance the results of the utilization of funds and gradually change the situation of high use of circulating funds, slow turnover and poor results and contribute to the resolution of the issue of construction funds for the four modernizations.

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## FINANCE AND BANKING

### PROBLEMS OF FINANCIAL CREDIT PLANNING DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 5, 4 May 83 pp 5-8

[Article by Duan Yun [3008 0061]: "Strengthen Comprehensive Planning for Finance and Credit, Achieve Overall Balance in State Finance"]

[Text] In the economic development of any modern country, the problem of financial and credit funds is a very important and sensitive one. It spotlights the actual economic strength of the state and is a comprehensive reflection of the balance or imbalance of economic development. At present, the two different social systems in the world necessitate the existence of two different systems of finance and credit. One of them, to which our country belongs, is the socialist system in which planned economy is practiced. Here the state organizes and controls financial and credit funds in a planned way and is entirely capable of accomplishing financial, credit and material balances, or their basic balances. Even though certain imbalance may appear occasionally, planned regulations can be made to restore the balance. Another system is that of capitalist countries where anarchy prevails. For many reasons, unavoidable imbalances in finance and credit, and currency inflation can cause economic chaos.

Finance in our socialist country is different from that in capitalist countries both in essence and in the form of control. Our finance and credit are the means of distribution and redistribution of the national income by the state on behalf of the people, and have an element of planning. In other words, both receipts and payments are organized and arranged in a planned way and should be balanced as a matter of principle. Economy determines finance, and finance in turn promotes economy. We cannot let production and circulation develop spontaneously and blindly; the market can play its regulative role only within certain limits under the guidance of state policies and plans. Neither finance nor credit can be permitted to play their roles spontaneously and without planned control, or to obstruct economic development by going their own ways.

As we all know, the socialist economy is a planned economy. All the plans of various regions and departments must go through overall balancing so that they can be well coordinated. All activities in production, construction and circulation, and all social developments should be organized in a planned way. The same applies to the handling of funds including the raising,

distribution and use of funds. Since funds can come from different sources and be used in different ways, the extent of planned control for them should also be different. In short, overall balance is required for the entire national economy as well as for all financial and credit receipts and payments. The need for an overall balance in our economic plans is included in our constitution. Article 15 of the new constitution reads: "The state practices economic planning on the basis of socialist public ownership. It ensures the proportionate and coordinated growth of the national economy through overall balancing by economic planning and the supplementary role of regulation by the market." There must be correct planning before there can be proportionate economic growth and there must be an overall balance before we can guarantee coordinated growth and avoid any dislocation of the national economy. Thus there must be both planning and overall balance before there can be any healthy and fairly rapid development of the national economy. This is quite obvious.

Way back in 1957, Comrade Chen Yun laid down the correct principle of three major balances between financial revenues and expenditures, between bank loans and repayments and between the supply and demand of materials, which was a strong support for the smooth implementation of the national economic plan and the development of the national economy. Aside from the 3 years of the "Great Leap Forward" and the 10 years of turmoil, we had balances or basic balances in finance and credit, and the entire national economy developed harmoniously and fairly rapidly. Our achievements were there for the whole world to see.

Since the 3d Plenary Session of the 11th Party Central Committee, the state has carried out a policy of national economic readjustment, restructuring, reorganization and upgrading, and policies of rural economy. It has also improved the relationship between agriculture, light industry and heavy industry, increased the income of workers and peasants, enlarged the financial power of the localities and the decisionmaking power of the enterprises, and thus aroused enthusiasm in various fields. In the past several years, industrial and agricultural production has been increased and commodities are now abundant on the market. There have been 2 years of fairly large deficits and increased currency issuance; there have been problems during the readjustment, mainly problems of dealing with what we had inherited from the past. We must be aware that even in the 10 years of turmoil, there were some years when financial receipts and payments were balanced. However, this balance was achieved under extraordinary circumstances: stagnation or regression in production, poor economic results and extremely irrational relations of distribution (as shown by the fact that wages of workers remained the same for many years and prices of agricultural products were not readjusted for a long time.) The outward appearance of balance could not conceal the essence of imbalance. During the readjustment in the past 2 years, the state made certain efforts to solve the outstanding problems of eliminating the essential imbalance. Despite a certain temporary imbalance between receipts and payments, it has laid a solid foundation for gradually balancing financial revenues and expenditures and bank loans and repayments. These imbalances were reduced, or markedly reduced in the past 2 years, and as long as we continue our effort to maintain the balances and to control the excessive expenditures and currency issuance, we can certainly achieve our financial and credit balances throughout the Sixth 5-Year Plan.

In the next 20 years, we must attain the strategic objective of national economic development set by the 12th Party Congress and carefully attend to agriculture, energy, transportation, education and science as matters of strategic priority. The way to increase accumulation, to strengthen the planned management of funds and to attain an overall balance of funds is an important condition to ensure the availability of funds. As economic development proceeds, the amount of funds required will continue to increase and there will be a series of new tasks regarding the accumulation, distribution and use of construction funds. We must carefully sum up our experiences, draw our lessons, reform the systems and work methods, and strive to generate, accumulate, distribute and use these funds properly. On the question of construction funds, we must note that any carelessness, relaxation, or loss of control will certainly bring huge loss and waste and hamper the smooth realization of the strategic plans formulated by the 12th Party Congress. This question must be taken very seriously and can never be taken lightly.

In our socialist country, the national financial resources are basically made up of three different components, namely, budgeted funds, bank credit and extrabudgetary funds, according to the socialist character and the various channels and forms of control. These three types of funds combine to form a unified organic entity in which there are division of work and close cooperation in the common support for the socialist modernization program and to meet the needs of the state, enterprises and individuals. Through various channels, these three types of funds are concentrated, distributed and used, each playing an active role in promoting the proportionate and coordinated development of the national economy. There must be a comprehensive overall balance for these funds as well as the necessary control and supervision to permit them all to be used to meet urgent needs, to solve the urgent problems and to yield better economic results.

The overall balance of national financial resources we have mentioned includes the balance between the sources of credit funds and the extension of loans, the balance between finance and credit, the rational division of work and the coordinated use of budgeted funds, credit and extrabudgetary funds in a proportionate way and in the order of relative urgency so that we can guarantee the progress of key projects without neglecting ordinary ones. The balance between expenditures and supply should also be included. In other words, each type of funds should be backed up by an appropriate supply of materials so as not to upset market prices. Of course, the overall balance of all state funds should be subordinated to the state's unified planning so as to ensure the completion of all state plans instead of hindering or disrupting them.

If we look at the situation in the light of requirements of the overall balance of national financial resources, we can see that there are still some problems in the control of state funds, particularly because of their fairly serious decentralization. This was precisely what Comrade Hu Yaobang pointed out at the 12th Party Congress in these words: "In recent years, state revenues have somewhat decreased and there has been a shortage of funds for urgently needed key projects. On the other hand, funds at the disposal of local authorities and enterprises have grown greatly and have been used for many projects which may seem badly needed from a local point of view; but this inevitably makes it



difficult to adequately meet the national needs and to prevent and overcome the tendency toward blindness in construction." It must be admitted that there are still some problems in our control of financial budget and credit funds, some disparity between receipts and payments and some competition between budgeted funds and credit funds. However, it is the extrabudgetary funds that have caused more problems. In recent years, some reforms have been carried out in the system of financial control in the government and the enterprises. With the expansion of local standby financial resources and the retention of profit by the enterprises, extrabudgetary funds have been greatly increased. In 1982, the standby financial resources at the disposal of local authorities, the various special funds at the disposal of various administrative units, public agencies, state-run enterprises and the departments in charge of enterprises, and the profits of collective enterprises at or above the county level were estimated to have totaled approximately 64 billion yuan as extrabudgetary funds. This figure was 19 times higher than in 1957, 6.7 times higher than in 1965 before the "Great Cultural Revolution," and one-third higher than in 1979. The proportions of extrabudgetary funds to financial revenues were as follows: 10 percent in 1957, 17.7 percent in 1965 and more than 60 percent in 1982. In other words, the amount of extrabudgetary funds [in 1982] was more than half of budgeted revenues, and this amount did not even include loans outside the credit plan and receipts and payments handled by the units themselves. Although there has been such an enormous increase in extrabudgetary funds, and even more so in the special funds at the disposal of the state-run enterprises and their departments in charge, no effective control has been exercised over them, with planned management lagging behind. Overall balance is also lacking for these funds, and, as a result, they have been decentralized and used blindly in irrational investments. While there is a shortage of funds for the key projects in energy and transportation, a lot of money is being spent on energy-consuming processing industry, thus adding to the strain on energy supply. Some large plants with their advanced technology are operating under capacity or on an on-and-off basis, while some new small plants producing similar lines of products are being commissioned, resulting in competition of small and backward plants against the large and advanced ones. Furthermore, although some old products have virtually reached the saturation point and need better quality and more varieties, the productive capacity for old products is still being blindly enlarged so that the unsalable goods have to be stockpiled, thus slowing down the turnover of funds. Loss of control over extrabudgetary funds will inevitably extend the front of capital construction, increase the strain on the supply of construction materials and prolong the construction periods. We must be aware that the lack of control over funds is inconsistent with the requirements of a socialist planned economy and runs counter to the state's policy of national economic readjustment and the requirement to curtail and control the scope of capital construction. Of course, we have not yet come to an alarming stage, but it must be pointed out that if we allow this trend of development to continue and fail to take the necessary measures of control, we may have serious problems which may even nullify the achievements made in the past several years of readjustment and leave our national economy in a state of serious disproportion once again. We failed to attend carefully to the overall balance of finance and credit in the past several years, and this was a grievous mistake. As mentioned earlier, bank loans are being used to finance capital construction

on a large scale and in large amounts, and the proportion of extrabudgetary funds to budgeted funds has been increased from slightly over 10 percent to more than one-half, and is continuing to increase. Thus our planning can only be half completed if we attend to only planning for a financial budget and credit separately and neglect to work out a comprehensive plan for both.

In short, it is very important and urgent that we should strengthen the comprehensive planning for finance and credit and for the control of state funds so as to attain an overall balance of all national financial resources. Fulfillment of these tasks is very important for continuing the readjustment of the national economy, for improving investment returns, for the smooth progress of the Sixth 5-Year Plan, and for laying a good foundation for the Seventh 5-Year Plan in the next decade.

Here I would like to present some views on the problems in formulating a comprehensive plan for finance and credit and for control of budgeted funds, credit funds and extrabudgetary funds.

First, in formulating a comprehensive plan for finance and credit, we should be well informed on the situation of receipts and payments of various funds. We should have a clear knowledge of the amounts of various funds, their sources and the way they will be used. This is an important basis for a comprehensive plan for finance and credit. The financial and banking departments are kept constantly informed of the general situation of receipts and payments in the budgeted funds and the money deposited and granted as loans, and their main concern is with coordination. As for extrabudgetary funds, we now only know about the general situation and guess about them from the source of funds, but are not at all clear about the actual conditions of each specific fund and how it is used. For the planned control and overall balance of funds, we must not only be well informed about the sources of funds, but also know their specific use. The state must be able to do so before it can work out specific measures of guidance and coordination. If the figures are incomplete and inaccurate, and the situation is not clear, it would be difficult to work out correct plans or rational comprehensive balances. In future, we need a system of reporting that can reflect the sources of extrabudgetary funds and the way these funds are actually used. The departments concerned have decided to conduct a one-time investigation of extrabudgetary funds, and we hope that the planning, financial and statistical departments can devote some effort to do this job well in order to lay a good foundation for the comprehensive financial plan.

Second, the planned control of extrabudgetary funds should be strengthened. Since extrabudgetary funds are so sporadic and numerous, and each type of fund is used for a fairly special purpose, would it not be enough for us to grasp the general situation instead of spending too much time on planned control, which is impossible and unnecessary? I say that we cannot take this view. Under conditions of a socialist planned economy, the state can adopt different plans and methods in dealing with, controlling or guiding social resources handling and other economic activities according to different circumstances, and allow only a small portion of them to be regulated by the market under planned guidance. The methods of handling can be direct control for some, or indirect control along with some necessary leading and guidance

for others. On the whole, however, planned control is necessary. The receipts and payments of extrabudgetary funds are an important supplement and auxiliary force to the budgeted receipts and payments and bank deposits, as well as an important component of national financial resources. If the extrabudgetary funds can add up to such a huge amount, we cannot simply leave them alone. We must understand that if extrabudgetary funds are used, say, in capital construction, the case will be different from that of sundry minor commodities which are subject to market regulation. If these funds are not incorporated in the plan of overall balance, and if we continue to let them be used blindly to finance capital construction projects until these projects acquire productive capacity, then it will be very difficult to make any re-adjustment or change without great loss and waste. We have already had many such lessons.

Third, planned control is mainly concerned with the orientation of the use of funds and capital construction investments. The scope of comprehensive finance and credit planning is very wide. In addition to the other characteristics, extrabudgetary funds are of numerous types. If control is necessary, does it mean that the funds have to be concentrated to be used through unified arrangements and that more funds have to be taken away from the basic level units? We must understand that special funds of various types and the retained profits rightfully belong to the enterprises and that this right of ownership must be respected. Except for certain special state requirements, such as in raising funds to finance certain key state capital construction projects for energy and transportation, the funds owned by the units generally cannot be taken away from them. If certain regulations need to be revised, this has nothing to do with the question of overall balance in finance and credit. The state's control over various extrabudgetary funds is mainly concerned with the direction of the use of funds, and different methods, such as the adoption of policies of guidance, planned coordination, balancing and so forth should be used according to the circumstances. Provided the right of ownership is respected, there should be overall arrangements, mutual accommodation, economized use, and a balance between funds and materials. We should be particularly careful in controlling the use of extrabudgetary funds on capital construction. The use of such funds on capital construction must be in accordance with state regulations, be approved by the provincial, municipal or autonomous regional authorities and included in the capital construction plan. We should induce the enterprises and their departments in charge to use the funds at their disposal on equipment renovation and technical transformation with energy conservation as the central task. This will be in the overall interest of the state as well as the interests of the enterprises and their departments in charge.

Fourth, party leadership should be strengthened in ideological work. The work of finance and credit concerns thousands and millions of households as well as the immediate interests of each unit. This type of work involves ideological problems of various types. According to the experiences of preliminary experiments in certain areas, it is necessary, first of all, for the party and government leaders at all levels to personally mobilize the people concerned, explain to them the general and specific policies, step up the ideological and political work, and follow up with regular inspections and encouragements.

Second, all departments concerned should organize comprehensive finance and credit groups under the leadership of responsible comrades. There should be active leadership, close cooperation and common responsibility. The planning commissions at all levels should take the initiative of providing incentive and coordination so that the work can proceed smoothly. This has been the experience of the experimental areas, and it is hoped that the other areas will follow their example. It is particularly necessary that leaders be responsible for one-time inspections with the cooperation of the relevant departments. This inspection must not be treated as merely a formality. In carrying out this work, we must firmly uphold the party's style of seeking truth from facts and opposing acts of deception. The reports must be truthful so that the accuracy and reliability of the comprehensive financial and credit plans and the statistical figures can be ensured. This work should be treated as a factor in translating the spirit of the 12th Party Congress into action and striving for a basic turn for the better in the party's work style. In short, we must carry out the work of planned control of finance and credit more efficiently and thoroughly and proceed with our work vigorously in order to open new prospects in meeting the requirements of socialist modernization.

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## FINANCE AND BANKING

### HEILONGJIANG SPECIFIC TAX PAYMENT REGULATIONS

SK300728 Harbin HEILONGJIANG RIBAO in Chinese 7 Jun 83 p 3

[Answers to some questions concerning the replacement of profit delivery by tax payment of the state enterprises of Heilongjiang Province written by the office in charge of the taxation system under the provincial financial bureau]

[Text] Question: What enterprises will not replace profit delivery with tax payment for the time being?

Answer: Defense industrial, postal and telecommunications, grain, foreign trade, agricultural and animal husbandry enterprises, industrial and commercial enterprises run by reformatories, plants established by schools and enterprises run by designing and research institutes, geological prospecting teams, and civil administrative departments will not implement the taxation system for the time being. Specific taxation regulations for cultural and educational enterprises are being studied and will be implemented after official documents are issued by the Ministry of Finance. All localities may conduct some investigations and calculations for the present.

Question: What enterprises will pay taxes according to the regulations for industrial and communications enterprises?

Answer: Enterprises of industrial production, industrial supply and marketing, communications and transportation, communications industry, communications supply and marketing, material supply and marketing, medical and pharmaceutical commerce, and public facilities and commercial enterprises run by forestry departments.

Question: Will tax payment appraisals be made for money-losing enterprises?

Answer: Money-losing enterprises will not pay income tax and, therefore, will not be appraised.

Question: What kinds of industrial and communications enterprises will neither turn in their after-tax profits nor receive subsidies?

Answer: Large and medium-sized enterprises whose profits left after paying taxes and sharing the remaining amount with the state are not more or less than 3 percent of the decided profit-retention amount and small enterprises whose profits left after paying taxes and sharing the remaining amount with the state are no more than 20 percent of the decided profit-retention amount.

Question: When deciding on the amount of profit to be retained, what shall be done toward enterprises whose after-tax profits are less than the decided profit-retention amount?

Answer: Large and medium-sized money-making enterprises whose after-tax profits are less than the decided profit-retention amount and whose discrepancy is more than 3 percent of the decided profit-retention amount will have their income tax properly reduced for a limited time.

Calculation formula: (According to the figure readjusted in 1982) The rate of income tax after it is reduced or exempted equals 55 percent minus (the state-decided amount of retained profit minus after-tax profit) divided by the total amount of taxable profit times 100 percent. (One figure after the decimal point is retained.)

In the meantime, in line with the specific conditions of our province, small industrial and communications profit-making enterprises whose after-tax profits are less than the state-decided reasonable amount of profit retention will be given fixed refunds as subsidies for 1 or 2 years by financial departments and shall be responsible for their own profits and losses after that. The time limit for receiving fixed amounts of subsidies are to be decided by financial departments at all levels.

Calculation formula: (According to the figure readjusted in 1982) The fixed amount of subsidy equals decided reasonable profit-retention amount minus after-tax profit.

Question: How will the amount of the contract fee for small industrial and communications profit-making enterprises be decided?

Answer: Small industrial and communications money-making enterprises whose after-tax profits exceed over 20 percent of the profit-retention amount are required to turn over a fixed portion of their profits to the state. This will remain unchanged for 3 years.

Calculation formula: (According to the figure readjusted in 1982) The amount of the contract fee for small enterprises equals after-tax profits minus the amount of profit retention after readjustment multiplied by 120 percent.

Question: When deciding on the reasonable amount of profits to be retained by enterprises, can the amount of profits shared by responsible departments be considered a reasonable amount of profit retention? What shall the responsible departments do if they want to spend part of the retained profits on certain projects?

Answer: According to the state's stipulations, after instituting the system of substituting taxes for the delivery of profits, the amount of profits retained by enterprises must be decided one by one. The amount of profits retained by the responsible departments in 1982 should not be considered reasonable because it was a duplicated profit retention. If a responsible department wants to concentrate a certain amount of funds on certain projects, it must go through the procedures stipulated in Article 14 of the State Council's "Trial Procedures for State Enterprises To Shift From the Profit-Delivery System to One of Taxation." If some responsible departments find it difficult to amass such funds, the financial department may amass for them. However, the percentage of such funds must be about 5 percent of the total profit retention of their subordinate enterprises. Such funds must be utilized according to the stipulations.

Question: How will the base profit portion and level of profit retention be decided for industrial and communication enterprises that did not produce in 1982 and those began operations or switched to manufacturing other products in 1983?

Answer: Enterprises that did not produce in 1982 and those began operations in 1983 must be classified as categories of enterprises in line with the financial plan and the original value of fixed assets appraised and decided by the financial department in 1983. The income tax rate, the ratio, and the base figure of profits to be handed over to the state must be appropriately determined, and the level of profit retention of enterprises must be determined in accordance with the amount of funds of enterprises.

Question: Shall small plants which are subdivided from large plants substitute taxes for the delivery of profits?

Answer: All small plants that are listed in the management budget after being examined and approved by the economic commission of the corresponding level and after being reported to the provincial financial department may substitute taxes for the delivery of profits. Plants that are not approved must join with the original enterprises in paying taxes and profits.

Question: After instituting the economic responsibility system and adopting the method of reducing production costs by contract, may industrial and communication enterprises issue bonuses with the money gained from reducing production costs?

Answer: Some enterprises have used the money gained from reducing production costs as welfare and bonus funds for units, workshops, shifts, and groups by understating production costs. This is the wrong way of doing things, because it breaches the limit of the state stipulated expenses for production costs. Such a way of doing things must be corrected. In the future, all enterprises, including large and small enterprises, and profit-making and money-losing enterprises, must pay the welfare funds for staff and workers, which should be 11 percent of the total amount of wages for staff and workers, from the production costs. The surplus portion must be paid from the profits retained by enterprises. Bonuses for staff and workers should be paid from the after-tax profits.

Question: The income tax, the regulatory tax and profits of foodstuff and vegetable companies of commercial enterprises are to be paid or delivered to the state, with various levels of companies having sole responsibility for profit and loss as a unit. How shall we explain this?

Answer: Retail shops of independent accounting and other plants of independent accounting, such as joint meat processing plants, soy sauce plants, vinegar plants and bean product plants subordinate to foodstuff and vegetable companies of commercial enterprises are to have their taxes paid by the companies which have overall responsibility for profit and loss.

Question: What was the reasonable profit-retention percentage of commercial enterprises for 1982? How shall we calculate it?

Answer: Commercial enterprises' reasonable profit-retention percentage for 1982 is derived by this formula: The total amount of profit retained according to the percentage fixed by the provincial commercial and financial bureaus divided by 10 percent of the annual average profit increase of the previous 3 years, and the total then divided by the net profit realized in the same year. Profit retained not in accordance with this formula or duplicate profit retention should be corrected in line with state stipulations and the excessive amount should be deducted.

City and county commercial enterprises (excluding industrial units run by commercial departments, catering and service companies and nationality trade enterprises) should calculate their total amount of retained profit and their profit-retention percentage according to Article 2 of the "Provisional Regulations for Handling the Finance of Commercial Enterprises Instituting the Taxation System Instead of Profit Delivery" issued by the Ministry of Finance.

Question: Is the profit-retention percentage for soy sauce and vinegar enterprises applicable to plants of the same trade which also engage in certain very lucrative types of production?

Answer: Preferential profit retention is granted to soy sauce, vinegar, salted and cured product and bean product enterprises in order to support their development. To those which are concurrently engaged in certain production which is very lucrative, 15 percent of the profit-retention rate is applied, as to large industrial units run by commercial departments.

Question: After changing profit-delivery to tax payment, when shall commercial enterprises pay their taxes or profits and how should they handle the profits or deficits left over from the previous year?

Answer: After instituting the taxation system, commercial enterprises should still follow the regulations for profit delivery by commercial enterprises to deliver their monthly profits in the month following that in which profits are realized. However, when calculating their incomes, they should calculate according to the profits realized from January to December.



Profits left over from 1982 which should be turned in to the state or should be refunded to enterprises are to be handled by financial departments. Enterprises do not have to pay income taxes for the left-over profits.

Question: How shall the supply and marketing cooperatives at and above the county level implement the taxation system?

Answer: Supply and marketing cooperatives at and above the county level should pay their taxes with city- or county-level cooperatives as the units which bear overall responsibility for their profit and loss. Those at the provincial level should take the second-level wholesale station of independent accounting as a unit to pay their income taxes according to the eight-grade excess progressive tax rate. After deducting the profit retained according to the profit-retention rate fixed by the provincial financial bureau and the provincial supply and marketing cooperative and the enterprise fund, all remaining after-tax profits should be handed over to the state.

Simple building costs, operational expenditures and administrative funds for supply and marketing cooperatives at the provincial and prefectural levels will continue to be paid from state coffers as before. Bonuses whose amount is determined according to the total amount of the workers' wage bill will still be covered by the commodity circulation expenses.

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## FINANCE AND BANKING

### GUANGDONG CIRCULAR URGES MORE REVENUE, LESS EXPENDITURE

HK060839 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 5 Jul 83

[Text] Recently the provincial people's government issued an urgent circular, urging the people's governments at all levels and departments concerned to conscientiously grasp the work of increasing financial revenue and economizing expenditure, so as to ensure the realization of the balance in financial revenue and expenditure for the year. The circular demanded that the people's governments at all levels and departments concerned conduct investigations and analysis on the financial situation of their respective regions and units since the beginning of this year, and adopt timely measures based on the existing problems so that balance in revenue and expenditure can be achieved. From now on, strict controls should be imposed on financial expenses. For all those units without fresh sources of revenue, no more new items of expenditure should be allowed in addition to the existing list. At the same time, the scale of capital construction and the purchasing power of social groups should be strictly controlled. No new staff should be recruited in the course of carrying out structural reforms.

The circular asked units of various places to do a good job in the work of eliminating losses and increasing profits, to strive for the enhancement of economic results, and to ensure the fulfillment of the target of lowering costs and expenses as stipulated in the state plan. The task of taxes and profits being submitted to the state must be carried out in full as fixed. As regards those enterprises and units which cannot fulfill the tasks of submitting the fixed taxes and profits to the state, or which fail to accomplish the set targets in production because of poor management and operation, their reserve of profits should be reduced pro rata and adjustment of the staff's wages should be suspended.

The circular asked the governments at all levels earnestly to strengthen the leadership in the work of collection of taxes so as to ensure the financial revenue of the state. In the third season of this year, inspection and assessment of the tax policy should be conducted in all regions. Tax policy should be publicized, and the system of collecting and controlling taxes should be improved. Evasion of taxes should be investigated and overdue taxes paid.

Finally, the circular asked the governments at all levels conscientiously to grasp the work of promoting the sales of treasury bonds and of collecting the funds for the country's key construction projects in the fields of energy and communications, and to ensure the fulfillment and overfulfillment of this year's task of selling the bonds and collecting the funds.

CSO: 4006/660

FINANCE AND BANKING

INSURANCE COMPANY SAID DOING BOOMING BUSINESS IN PRC

OW031230 Beijing XINHUA in English 1117 GMT 3 Jul 83

[Text] Beijing, July 3 (XINHUA)--The People's Insurance Company of China has extended its domestic and foreign insurance businesses to more than 60 kinds since 1980 when domestic insurance was reinstituted, according to today's "People's Daily".

For domestic insurance, transport, vehicle and third-party liability, ship and household property insurance has [as received] been added to that of enterprise property in the past few years, the paper said. New development included also simple life insurance and insurance to cover pensions and medical costs for workers in collective units.

The company has paid indemnities costing 460 million yuan since 1980 to property insurers for their losses in flood, fire or other accidents. Thirty-two insured enterprises and 15,000 families were compensated.

Last year a bulb factory in Youxian County, Hunan Province, suffered a heavy loss in a serious flood. The insurance company paid an indemnity of 240,000 yuan to the factory which then restored production in 25 days. By the end of the year, the factory delivered to the state 28 percent more taxes as its production increased.

Insurance for farm cattle, milch cows, pig and fowl raising has been developed in 12 provinces and municipalities to meet the needs of the growing rural economy.

In Sheyang County, Jiangsu Province, the local insurance company started a pig raising insurance in cooperation with the county veterinary station which takes care of pig diseases. In 1982 the death rate of pigs dropped, 14.3 percent more pigs were raised and 42 percent more were sold to the government, compared with the previous year.

In the past few years, foreign insurance business has also made big progress. Included are insurance for import and export transportation, aeroplanes, ships, offshore oil exploration, building construction, compensation trade and processing industry with supplied materials.

CSO: 4020/98

## FINANCE AND BANKING

### RENMIN RIBAO ON PROBLEM OF FINANCIAL SUBSIDIES

HK030812 Beijing RENMIN RIBAO in Chinese 27 Jun 83 p 5

[Article by Dai Yuanchen [2071 0954 2525]: "A Study of the Question of Financial Subsidies"]

[Text] The Principle of High-Level Profits and Financial Subsidies

The microeconomic results of an enterprise and the macroeconomic results of society sometimes agree and, at other times, conflict with each other. Where there is a conflict, social and general economic results should be put above the partial economic results of an enterprise. The party must be subordinated to the whole in order to achieve still greater macroeconomic results. This is the principle of making socialist high-level profits.

But given socialist conditions, not only must an enterprise be responsible for its own profits and losses, but the state enterprise owned by the whole people must use its own income to cover its expenditures and try to make profits. Losses incurred by an enterprise inevitably interfere with the normal progress of reproduction. If we take overall socialist macroeconomic interests into consideration, we must grant necessary financial subsidies to some money-losing enterprises in line with the principle of high-level profits. Of course, it does not mean that financial subsidies must be given in all cases falling into the category of high-level profits. We cannot simply equate high-level profits with financial subsidies. Only, given factors viewed favorable from the social or macrocosmic angle and unfavorable from the microcosmic angle of an enterprise, is it necessary to grant financial subsidies in order to solve macrocosmic and microcosmic contradictions and to help the continuation of the production effort of an enterprise. Otherwise, it is not necessary to do so.

Financial income has traditionally been a means of distribution controlled by the state. It is an important economic lever applied by the state to the economic base. To realize its political, economic, and social policy targets, the state can use the lever of financial income to render support or to impose restrictions. Therefore, financial subsidies cannot be simply viewed in economic terms. The realization of the principle of high-level profits is one aspect of the matter of granting financial subsidies. Financial subsidies are sometimes linked with goals in political and

social fields and cannot be completely covered by the principle of high-level profits.

#### Losses Do Not Mean High-Level Profits; the "Big Rice Pot" Is a Cause of Indiscriminate Use of Financial Subsidies

To have a correct understanding of the principle of high-level profits in the socialist economy, we must rid ourselves of the mistaken idea that losses refer to high-level profits and that making money refers to low-level profits.

Such a mistaken idea has arisen because, for a long time, the principle of high-level profits has been based on the argument that a socialist country should not first develop light industries that yield greater profits, but instead should first develop not so profitable and even money-losing heavy industries. Such a conclusion has developed out of the guiding idea of stressing heavy industry and underrating light industry and agriculture. Experience over many years shows that we cannot equate the development of not so profitable and even money-losing heavy industries with the principle of high-level profits. Instead, we should make a concrete analysis in light of concrete conditions. In the period of the First 5-Year Plan of our country, the priority development of heavy industry laid the initial foundation for the industrialization of our country. Relatively satisfactory macroeconomic results were achieved, embodying the principle of high-level profits. Later, the one-sided emphasis on the development of heavy industry brought very poor macroeconomic results. Thus, we can now no longer say that this still embodies the principle of high-level profits.

We may carry things a step further. The development of certain heavy industries is of great significance in the development of the whole national economy. But these industrial sectors have very small margins of profit and even suffer losses. This calls for support from the state in the form of financial subsidies. Such a situation often arises from irrational pricing. Before these industries can make a rational readjustment of their prices, the granting of financial subsidies is necessary. But this is a case of losses being caused by men through irrational pricing. Fundamentally speaking, irrational prices should be readjusted to solve relevant problems. The theory of high-level profits cannot be used as a basis to affirm irrational prices as being rational, thus creating the illusion of losses being synonymous with high-level profits.

It should also be pointed out that in our economy, there are a large number of money-losing enterprises. For many years, they have been granted large sums in subsidies because of their losses, most of them involving business losses. The granting of financial subsidies does not give expression to political, economic, and social policy targets and is not of the nature of high-level profits. Holding the state responsible for all business losses and having them unconditionally covered by subsidies is not inevitable, as far as the unified system of revenue and expenditure is concerned. It is a result of the unified system of revenue and expenditure combined with the "supply system" and the "big rice pot." Sharing in the "big rice pot"

provides neither penalty for sloppy management nor reward for good management, thus causing the indiscriminate use of financial subsidies. It is exactly to change this situation that the reform of the economic management system now proposed calls for combining an enterprise's economic responsibility with its economic power and economic interests. Therefore, the economic reform must be combined with the reorganization of an enterprise. Strict economic responsibility systems must be introduced in all links of the chain from planned state management to enterprise management, so that future financial subsidies will be used only to cover losses of a policy nature. Business losses will not be covered. Only in this way can we really change the situation of sharing in the "big rice pot."

#### Price Subsidies for Sale Prices Lower Than Purchase Prices Do Not Mean High-Level Profits

Granting price subsidies has been a common practice, as far as financial subsidies are concerned. But this has become a problem peculiar to our country. It is called a common practice, because various countries in the world give price subsidies in various forms to a large or small extent. This has posed a special problem to our country, because a large amount is involved, accounting for a large percentage of the financial income. This has imposed a heavy burden on the financial budget.

Price subsidies usually mean those given under two kinds of circumstances. In one situation, increases in purchase prices for consumer goods are accompanied by appropriate increases in sale prices. But in order not to affect the living standard of the people, the state grants workers commodity price subsidies. As these subsidies are given together with wages and have become part of actual wages received, a study of relevant theory should be made part of the discussion on wages. The other circumstance is that with an increase in the purchase price for agricultural products or in the price paid to factories for industrial products, the state fails to raise the sale prices of consumer goods accordingly, thus giving rise to irrational differences between purchase and sale price. This calls for price subsidies from the commercial departments, or so-called price subsidies related to losses of a policy nature.

The granting of price subsidies because of irrational differences between purchase and sale price has been known in our country for a long time. But the original amount involved was not large. The amount of subsidies began to rise sharply after 1978. It reached 7.876 billion yuan in 1978 and 32.175 billion yuan in 1981. In 1981, price subsidies for major commodities in the country totaled 23.443 billion yuan. Price subsidies for the five kinds of commodities imported from foreign countries--grain, cotton, granulated sugar, chemical fertilizer, and insecticides--stood at 8.732 billion yuan. Price subsidies for consumer goods enjoyed by city and town residents throughout the country in 1981 averaged around 164 yuan, per person, or the equivalent of 33 percent of the income in cash received by each person for that year.

The people's understanding of price subsidies has followed a process of development. When price subsidies were first introduced, it was universally held that this was a demonstration of the superiority of the socialist system. Not until the amount of subsidies grew increasingly and the burden became heavy did people gradually realize the dual nature of price subsidies.

The theoretical basis for the introduction of price subsidies is not the principle of high-level profits but the political aim of a given society. Its positive side is, chiefly, to maintain the stability of the prices of consumer goods, to protect the fundamental standard of living for the people from being affected, and to ensure economic and political stability, when a situation appears likely to cause an increase in the prices of consumer goods.

But the introduction of price subsidies also has its negative side. The larger the amount in price subsidies, the more fully and clearly exposed is its negative role. First, fixing sale prices lower than purchase prices is, after all, an abnormal phenomenon in economic life, and goes against objective economic law. Using price subsidies to artificially maintain fixed prices will inevitably weaken the role of pricing as an economic lever. There is no way to correctly determine costs and relevant results. The actual price relations between various kinds of commodities will also be distorted. This is harmful to normal economic activity. Second, given price subsidies, it is often likely to use policy-related losses as an excuse to cover up business losses, thus encouraging backwardness in management and wasteful practices in business operations. Third, price subsidies give rise to contradictions between enterprises and between areas and do not help the circulation of production and economic management. With price subsidies paid by the state, there appears in Xinjiang the strange phenomenon of imported grain and meats from the interior of the country being available more cheaply than those obtained locally. When subsidies are paid by the local authorities, there often appears the problem of supplies being transferred out and in. Meanwhile, the dual pricing system of providing supplies at both fixed and negotiated prices has created conditions for the buying and selling of purchase coupons and also caused inequalities between enterprises. Fourth, price subsidies exceeding certain limits impose a heavy burden on the state. The categories of commodities once put on the list of price subsidies are seldom dropped. The scope of subsidies and the amount involved have also become increasingly large year after year. This makes it impossible for there to be an appropriate increase in financial income with the development of agricultural production. Thus, financial investment in priority construction projects cannot be guaranteed. As things continue this way, the scale of construction is inevitably affected, hampering economic development.

For these very reasons, we cannot just see the positive factors in price subsidies, while overlooking the negative ones, caused by our exceeding the limits of a rational amount. Of course, it is impractical to thoroughly give up the assumption of price subsidies. But it is not impossible to properly control and reduce price subsidies.



Price subsidies represent a version of financial subsidies. The scope and amount of subsidies must be given overall consideration in light of our financial capacity. Only then can we make proper arrangements for macro-cosmic distribution plans, helping the normal development of the national economy. If we divorce ourselves from macroeconomic results, it is very difficult to correctly judge the advantages and disadvantages of price subsidies.

#### The Channels of Subsidies and Subsidies Given Under Various Headings

Subsidies fall into the category of redistribution of social net income. Logically speaking, the channels of subsidies should focus on the financial field, with support given through subsidies for losses, or tax exemptions. Only in this way can we properly organize the distribution of financial income in a planned manner and correctly handle the relations in various fields. But in actual life, there exists the situation of granting subsidies under various headings. It is very difficult to correctly figure out the actual amounts paid out.

The main reason why many channels of subsidies have appeared is that people do not understand that different channels of subsidies actually are all financial in origin. No matter what the pattern adopted or the process followed, in the final analysis, they represent the distribution of social net income. They are ultimately reflected in financial expenditures.

Another important reason is a misinterpretation of the relations between the economic lever and political goals. The economic relations between various departments and between various enterprises find expression through pricing as an economic lever. Prices originally reflect the relations of exchange between the buyer and the seller and must be guided by the principle of exchange of equal values. There should be originally one price for the same kind of commodity of the same quality. Now, for various reasons, various price ranges have been fixed. Besides, there is no economic basis for determining many price tags. Actually, these only serve to replace financial subsidies handed out through different departments.

Therefore, in granting subsidies to achieve certain goals, we should concentrate on the financial channel. Only in this way can we, in a planned manner, use the means of financial subsidies to realize certain policy goals and achieve relatively satisfactory macroeconomic results.

CSO: 4006/659

## FINANCE AND BANKING

### ZHEJIANG URGES FIXED ASSETS INVESTMENT CONTROL

OW020455 Hangzhou Zhejiang Provincial Service in Mandarin 1030 GMT 29 Jun 83

[Text] The Zhejiang Provincial People's Government in mid-June approved and circulated a document submitted by the provincial planning committee, the provincial economic committee and the provincial capital construction committee on exercising strict control over the scale of investment in fixed assets. All departments in every locality are urged to reach a common understanding, adopt an overall point of view, strictly control the scale of investment in fixed assets and supply further manpower, material and financial resources to guarantee the building of energy resource, transport and other key projects and enliven the technical renovation of existing enterprises.

The document, approved and circulated by the provincial government, points out: All capital construction investment, including investment within the state budget, investment using funds raised by departments themselves, bank loans, the use of foreign capital and funds under various special programs, must be incorporated into the scale of capital construction investment approved by the state and the province. They must have their respective capital construction plans, and are not permitted to go beyond those plans. No departments are allowed to carry out capital construction not listed in plan. Investments in technical renovation must be within the scale of technical renovation approved by the state and the province and incorporated into the technical renovation plans at all levels. All prefectures, cities and counties, and all departments at the provincial level, must examine and analyze how the 1983 fixed assets investment plan has been drawn up, readjust, in good time, any plan not appropriately drawn up and resolutely curtail investments if they go beyond the plan.

This document has made specific stipulations on the limit of authority in examining and approving construction projects, strengthening the management of funds not listed in the budget, maintaining strict control over duplicate building and blind development of the processing industry, strengthening supervision over investment in fixed assets and maintaining strict party discipline.

CSO: 4006/660

## FINANCE AND BANKING

### GUANGMING RIBAO ON CONSTRUCTION 'WITHIN MEANS'

HK060607 Beijing GUANGMING RIBAO in Chinese 26 Jun 83 p 4

[Article by Jiang Wei [1203 1550]: "It Is Necessary To Establish the Construction Concept of Acting Within Our Means"]

[Text] At the First Session of the Sixth NPC, Premier Zhao Ziyang pointed out in his government work report: "In order to lay a good basis for vigorously developing our economy, capital construction has to be maintained on the necessary scale. However, this scale has to be compatible with the means of our country, and should not exceed our financial capability and material potentialities." The most fundamental point in meeting Premier Zhao's requirement is to establish the construction concept of acting within our means. At the same time, on the basis of seriously studying the experiences in history, it is also very important to set up relatively rational rules governing the scope of construction.

#### Several Rules in Relation to Determining the Scale of Investment in Fixed Assets

The investment in fixed assets consists of two major parts: renovation and transformation, and capital construction. The investment in fixed assets listed in the current state plan is not investment by the whole society, but investment by the state-owned units. Judging from the past 30-odd years, since the founding of the country, with regard to the investment in fixed assets in terms of the utilization rate of the national income, it will be better to maintain roughly the following proportions:

1. With regard to the scale of investment in renovation and transformation, it will be more appropriate to use 5-6 percent of the projected utilization rate of the national income in these next few years.

The function of utilizing the funds for renovation and transformation in relation to investment in fixed assets is mainly to effect simple reproduction, and partly to effect expanded reproduction. The source of the funds is mainly the compensation fund. For the last 30 years, the renovation and transformation fund has already utilized amounts roughly around 4 percent of the utilization rate of the national income. In the 1950's and 1960's, the task of renovating and transforming the newly built enterprises was not

great, not enough attention was paid to the work of renovation and transformation, the depreciation rate tended to be on the low side, and in some cases the funds for renovation and transformation were shifted for use in capital construction. In recent years, the fund for renovation and transformation has increased rather rapidly. It stood at 22.5 billion yuan in 1981, 5.8 percent of the utilization rate of the national income; and it stood at 29 billion yuan in 1982, 6.8 percent of the utilization rate. From a short-term point of view, it will be more appropriate for this fund to be maintained at 5-6 percent of the utilization rate of the national income. With the rigorous development of technical transformation and the new measure of inwardly motivated expanded reproduction, the investment in this respect will increase still more rapidly. Theoretically, this fund should not be limited, but at present, the funds for renovation and transformation are not being used for the purpose of renovation of equipment and transformation of technology. Therefore, appropriate limitations and correct guidance should be laid down concerning the utilization of this category of funds.

2. It will be more appropriate for the investment in capital construction to use 12-13 percent of the utilization rate of the national income.

The main function of investment in capital construction is to effect expanded reproduction, and its main source of funds is the accumulation fund. The following proportions should be handled well in determining the scale of investment in capital construction:

1) The increase of investment in capital construction should be compatible with the increase in the national income, and a proper ratio should be maintained in terms of the speed of increase for these two aspects. For the last 30 years, since the founding of the country, the annual rate of increase for the national income has been 5.9 percent on the average, and the rate of increase for investment in capital construction has been 8.2 percent on the average. In some years, the increase in investment was too fast, exceeding the practicability of objective conditions.

2) The scale of investment in capital construction should ensure a balanced proportion between accumulation and consumption. We should follow Comrade Chen Yun's instruction that "the first thing is to have enough food, and the second thing is to carry out construction," and properly arrange the proportion between accumulation and consumption. On the one hand, the standard of living of the people (including the additional population) should not be lowered in comparison with their original standard, and should be enhanced on the basis of the development in production; on the other hand, the average standard of the technical equipment used by workers should not be lowered, and should be increased slightly. Since the founding of the country, the investment in capital construction in terms of the proportion of the utilization rate of the national income has been 14.5 percent on the average. Judging from past experience, this proportion is biased on the high side. In quite a number of years, the scale of investment was too great, leading to an imbalance in the proportional relationship, and the aspect of consumption was affected, thus hampering the enhancement of the people's standard of living.

3) The scale of investment in capital construction should facilitate the rationalization of the internal proportionate level of accumulation. In the course of accumulation, a proper proportion should be maintained between the state, the collective, and the individual. With respect to the accumulation of the state, rational proportion should also be maintained between accumulation of fixed assets and accumulation of floating assets. If the investment in capital construction constitutes around one-half of the accumulation, the accumulation of floating assets will be affected.

We hold that in determining the scale of investment in capital construction, our attention should not be centered on the proportional balance for one aspect only, and that it will be more appropriate to maintain simultaneously the proportional balance for all the above-mentioned aspects.

3. It will be more appropriate for the investment in fixed assets to constitute 17-18 percent of the utilization rate of the national income.

Historically, from 1953 to 1981, the investment in fixed assets amounted to about 19 percent of the utilization rate of the national income. The practice in many years in the past has proved that this average figure is biased on the high side. Under normal circumstances, if the investment in fixed assets constitutes over 19 percent of the utilization rate of the national income, life in terms of the economic field will become tense; and if the investment exceeds 20 percent, an imbalance in the proportional relationship will result.

It Will Be Appropriate for the Proportion of Accumulation To Constitute About 30 Percent of the Increase in National Income

In order to maintain better the balance between the scale of investment and the means of the state, aside from the analysis in terms of general quantitative conditions, analysis should also be made concerning the distribution and utilization of the increase in national income. What is termed acting within our means indicates that we should take into account not only the means of the general quantitative conditions of the national income, but also the means of the increase in national income. The amount of increase in the investment in capital construction within a certain period depends not only on the general quantitative conditions of the national income, but also on the amount of increase in the national income and its conditions of distribution and utilization.

Starting from practical conditions of our country, under normal circumstances, efforts should be made to ensure that the major part of the increase in national income is used in the field of consumption, and a minor part for accumulation purposes, and to ensure that the investment in capital construction constitutes a rational proportion of the accumulation. According to the experience of the past 30 years, with regard to increases in national income, it will be more appropriate for accumulation and consumption to constitute 30 percent and 70 percent respectively in distribution and utilization. If the increase in national income becomes

greater, the proportion of accumulation can be increased appropriately, but this should not be done to excess; on the contrary, if the increase in national income becomes smaller, the proportion of accumulation should be reduced. Generally speaking, it will be better for the increase in investment in capital construction to constitute about 45-50 percent of the increase in accumulation. Of course, adjustments should be made according to the concrete conditions in different years.

#### Views on the Scale of Investment in Fixed Assets in 1982

According to statistics, the investment in fixed assets in 1982 amounted to 84.5 billion yuan, of which the funds for renovation and transformation constituted 29 billion yuan, and the investment in capital construction 55.5 billion yuan. How should we assess the scale of investment in 1982? Some comrades hold that it was appropriate, and others think that it was somewhat greater than it should have been. I agree with the latter opinion. The first point is that the investment increased too sharply; it increased by 17.7 billion yuan in 1982 as compared with 1981, of which the investment in capital construction increased by 11.1 billion yuan. The second point is that the expansion was too great; in 1982, nearly 75,000 construction items costing over 100,000 yuan each were being built, and 34,000 of them were newly started that year, so that the general scale of items under construction was greatly expanded. The third point is that the proportion of investment in fixed assets increased to over 19 percent of the utilization rate of the national income. The fourth point is that of the utilization rate of the increase in national income, the accumulation of fixed assets constituted too large a share, and the investment in the increased capital construction was too great. Since the scale of construction in 1982 was biased on the high side, why was it that no evident effect was experienced in our practical economic life? The reasons were manifold:

1) The source of the funds for investment in capital construction was different. In the past, the proportion of investment within the budget was great, and the proportion of investment outside the budget was small. In 1982, the proportion of investment within the budget continued to decrease, while the proportion of investment outside the budget increased to 50 percent or so. Therefore, the change was not very conspicuous in terms of the state's financial balance.

2) Dependency on material distribution by the state became smaller. In the past, the proportion of investment within the budget was great, the amount of materials which needed unified arrangement and distribution by the state was large, and any tense situation in relation to distribution of materials would soon become manifest. But now the investment outside the budget became great, and most of the materials were procured by local organs and enterprises themselves. Last year, the production of cement increased by more than 12 million tons, of which more than 11 million tons were produced by small cement factories in various localities. In addition, a greater amount of materials was reserved for self-consumption or self-marketing, or was imported, by local organs and enterprises. Therefore,

in terms of the state's balance of materials, the tense situation of the "three kinds of resources" was not so direct and evident as in the past, and the contradiction of capital construction pushing aside production, maintenance, and the light industrial market was still not manifested to the full.

3) The year of 1982 was the first year to witness the upturn of investment in capital construction. Although the speed of the upturn was rather drastic, the overexpanded scale of investment did not show itself very explicitly due to the peculiar nature of capital construction itself. Its effect will not be evident until a few years have elapsed.

4) Good harvests have been recorded for several consecutive years, light industry production has developed rather quickly, and the situation in the supply of consumer goods has been satisfactory.

The study and determination of the rules governing the scale of investment, or the quantitative limits, and the efforts to make them more accurate and more scientific with ever-deepening understanding, have an active significance in the rational arrangements of the scale of investment. However, these limits are, after all, lifeless figures. The appropriateness of the arrangement for the scale of investment should still depend on the correctness of the macroscopic decisionmaking, and also on the establishment of the construction concept of acting within one's means. Under this premise, plus some other measures, such as setting up responsibility systems, acting according to correct procedures in capital construction, reforming irrational systems and methods, and so on, the above-mentioned quantitative limits will be able to display better functions.

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## FINANCE AND BANKING

### GUANGMING RIBAO URGES CONTROL OF CAPITAL CONSTRUCTION

HK060252 Beijing GUANGMING RIBAO in Chinese 26 Jun 83 p 4

[Article by Luo Xueyu [5012 1331 0151] and Xu Rongchu [1776 2837 0443]:  
"The Scale of Capital Construction Must Be Strictly Controlled"--passages  
within slantlines published in boldface]

[Text] At present, with the improvement of the economic situation, the trend to expand the scale of construction and to start more projects has again emerged in some localities and departments and this has given rise to the phenomena that projects not part of plans are affecting projects included in plans, ordinary projects are affecting priority projects, and construction is affecting production, maintenance, and market supply. In order to further consolidate and develop the achievements in the economic readjustment in recent years and the improving economic situation, it is necessary to strictly control the scale of capital construction in the following six fields:

/1. Deciding on the scale of capital construction strictly according to the possibility of material balance./ When arranging capital construction, planning departments must insist on the principle of suiting the size of construction to the quantity of available materials and must not fear criticism for keeping a "short-term balance." Comrade Chen Yun pointed out long ago: "How much capital construction is to be conducted should be decided on the basis of how much raw materials are available rather than how much money we have." Therefore, when trying to balance material supplies, planning departments should take into account the materials distributed by the state as well as the materials retained by localities and enterprises or obtained by them through exchanges between localities and through imports from other countries. Only by doing a good job in maintaining a balance of material supplies can the size of capital construction be decided on a reliable basis.

/2. Being strict in maintaining an overall balance in intermediate- and long-term plans./ At present, planned balancing work is still imprecise. The balance between production, marketing, and raw material supplies, the financial balance, credit balance, foreign exchange balance, and foreign trade balance, and the balance between total supply and demand of major materials in the whole society have not been properly maintained.



Coordination concerning some major projects between different departments, between different localities, and between different projects has not been properly handled as well. These problems must all be solved through the formulation of yearly plans. If intermediate- and long-term plans do not effect an overall balance and involve a large number of projects which are tightly financed, then some indispensable projects involved in yearly plans will be bogged down in a tight spot for lack of money and materials. When deciding on a new project, we not only must maintain the balance of the year, but also must pay attention to the maintenance of the balance of financial and material resources in the next several years.

/3. The authority to deliberate and approve plans for capital construction must be strictly defined./ All localities and departments must earnestly implement the State Council's regulations on strengthening economic planning and on controlling the size of capital construction and must maintain the authoritativeness of plans.

The authority to deliberate and approve plans for capital construction should be centralized to the central level and the level of provinces, autonomous regions, and municipalities. The nationwide scale of capital construction should be decided on by the State Council after the State Planning Commission works out an overall balance and submits an initial plan to the State Council. The final plan for capital construction approved by the State Council should include various projects financed by state appropriations, funds raised by localities and departments, bank credits, foreign capital, and other funds earmarked for some special purposes. Localities and departments must strictly implement the plan. They are not allowed to exceed the limits of investment prescribed by the plan. In general, they should not add more investment and projects to the plan. If the additional expenditure is necessary, it must be submitted to the State Council for approval. Projects outside the plan should not be handled by construction departments. Supply departments should not provide materials and banks should not provide money for them.

/4. Strictly control capital construction financed with self-raised funds./ Because of loose management, for 2 successive years investment in capital construction financed with self-raised funds has exceeded the limit prescribed by state plans by a big margin. In order to ensure key projects and to control the size of investment, we must take measures to appropriately concentrate funds and materials scattered in various localities and enterprises. Funds raised by them must come from decent sources. Financial reserves, various special funds, and funds outside budgets in localities and enterprises should first be used to fulfill the task of purchasing state treasury bonds and to pay their contributions to funds for key energy and transport projects, and to ensure normal expenditures and the needs in renewing equipment and conducting technical transformation. Only after this can an appropriate portion of these funds be used for capital construction. All funds raised by localities and enterprises for their own capital construction should first be deposited in construction banks as special funds. The utilization of these funds should then be overseen by construction banks according to plans approved by the state

and according to the progress of the projects. If investment in projects financed with self-raised funds exceeds the limit prescribed by state plans, a certain percentage of the exceeding part should be turned over to the state as a contribution to funds for key energy and transport projects.

/5. Strictly controlling bank credits./ At present, there are too many channels to obtain investment loans. Banks at all levels must issue investment loans strictly according to capital construction plans laid down by the state. Localities and departments are not allowed to handle trust and investment business. This business must be monopolized by banks.

/6. Strictly controlling the use of funds earmarked for technical transformation and equipment renewal./ At present, most of the funds for technical transformation and equipment renewal are used to build new projects and expand facilities, to develop industries which highly consume energy, and to expand production capacity, and few of them are used to carry out technical transformation and renew equipment, to develop energy industry and industries which consume less energy, and to lower the consumption of raw materials and improve product quality. According to initial surveys, of the more than 5,000 projects involving investment of more than 1 million yuan in the first half of 1982, 60 percent were projects of building new facilities and expanding existing facilities. This not only enlarged the size of capital construction in another field, but also was unfavorable to the technical transformation of existing enterprises. At present, the annual amount for technical transformation and equipment renewal reaches 25 billion yuan. This is not a small amount. The key is to use it for correct purposes. Projects for technical transformation and equipment renewal are widely scattered with a large number and are involved in complicated conditions, so our management over them should not be over-rigid. However, this should not become a reason for conducting capital construction in a random way. In order to speed up technical transformation, to control the scale of capital construction, and to maintain an overall balance, planning departments at all levels should properly coordinate and rationalize the utilization of the funds raised through various channels for investment in fixed assets so as to work out a coordinated plan for investment in fixed assets.

CSO: 4006/659

## INDUSTRY

### GU XIULIAN MEETS XINJIANG ECONOMIC DELEGATION

OW290201 Nanjing XINHUA RIBAO in Chinese 14 Jun 83 p 1

[Excerpts] A 15-member economic and technological cooperation delegation headed by Tuohudi Shabier, vice chairman of the Xinjiang Uygur Autonomous Regional People's Government, arrived in Nanjing on 24 May. Accompanied by Comrade Yu Kang, deputy director of the [Jiangsu] Provincial Planning Commission, the delegation made an inspection tour of Nanjing, Changzhou, Wuxi, Suzhou and Nantong cities and visited scores of light industrial, textile, chemical, machinery, construction material, plastic and industrial art enterprises and factories. The delegation left Nantong for Shanghai on 9 June.

Leading party and government comrades of the province and the cities concerned attached great importance to the visit by the comrades from Xinjiang. Gu Xiulian, deputy secretary of the provincial CPC committee and governor; Jin Xun, member of the standing committee of the provincial CPC committee and deputy governor; Chen Huanyou, deputy governor, and responsible party and government comrades of the various cities called on all the comrades of the delegation and had friendly conversations with them.

Our province and Xinjiang Uygur Autonomous Region have been designated counterpart supporting units by the central authorities. During their inspection tour of our province, both sides reviewed their past records in meeting each other's needs and in providing mutual support and conducting economic exchange. They expressed their satisfaction with the achievements scored.

Comrades of both sides had preliminary talks on ways to exploit their respective strong points, rationally utilize resources, tap potentials in all sectors, improve economic results and develop the national economy on the basis of unified state planning. They reached an "agreement on mutual support and economic and technological cooperation" and tentatively decided on nearly 50 mutual support projects covering technological aid by light industrial, textile, chemical, machinery, construction material and other industrial enterprises; enterprise management and administration; development of intellectual resources; and training of personnel for cultural, educational and public health undertakings.

CSO: 4006/661

## INDUSTRY

### CHINA DELIVERS SHIPS TO FOREIGN OWNERS

OW021214 Beijing XINHUA in English 1153 GMT 2 Jul 83

[Text] Beijing, 2 July (XINHUA)--The China State Shipbuilding Corporation delivered eight ships to foreign owners from January through June, with a total deadweight tonnage of 150,000, a spokesman for the corporation said today.

In 1982, the corporation handed over nine vessels totalling 210,000 deadweight tons to foreign owners, he said. It also built two self-elevating drilling platforms and repaired one for foreign clients.

Over the past 3 years, the corporation has contracted to build ships exceeding 900,000 deadweight tons the spokesman said.

The ships handed over this year include a 36,000-ton bulk carrier built by the Hudong Shipyard in Shanghai for the worldwide shipping group of Hong Kong, a 27,000-ton bulk carrier by the Jiangnan Shipyard for Cargoship Maritime Corporation of Liberia and three 12,300-ton multi-purpose container ships by the Shanghai shipyard for two shipping companies of the Federal Republic of Germany--Peter Doehle and Reederea (Nord).

Trial sailings showed that the ships met the technical standards requirements, the spokesman said.

Ships built in China for export go to Hong Kong, southeast Asia, Europe and America.

Flexible measures are being adopted to expand China's export of ships, the spokesman said. Foreign customers can order ships by deferred payment. Ships can be built according to Chinese designs or joint Chinese-foreign designs or foreign designs submitted by customers. Auxiliary equipment on ships can be either foreign or Chinese made.

By purchasing manufacturing licenses, the China State Shipbuilding Corporation has imported technology for producing diesel engines, power generating equipment, deck machinery and cranes. Some equipment has been produced with the imported technology and installed on ships for export.

CSO: 4020/97

## INDUSTRY

### DEVELOPMENT OF NINGXIA'S ELECTRONICS INDUSTRY URGED

Yinchuan NINGXIA RIBAO in Chinese 21 Apr 83 p 2

[Article by Yang Yunsheng [2799 0061 3932], Deputy Manager and Deputy Chief Engineer of the Ningxia Electronics Instruments Plant: "Vigorously Develop Our Region's Electronics Industry"]

[Text] Since the 3d Plenary Session of the 11th Party Central Committee, and especially since the implementation in 1981 of the new policy in scientific and technological work, a lively situation has appeared in our region's science and technology, including science and technology work in the electronics industry. Taking the electronics industry as an example, we have already achieved evident superiority in two classes of products, namely, agricultural and forestry meteorological instruments and those for measuring electronic insulation. However, there is still a great discrepancy when comparing our region's electronics industry with that of other provinces. Our region made up only 0.1 percent of the gross value of the nation's electronics industry output in 1982. I would like to discuss some ideas to vigorously develop our region's electronics industry:

1. Overcome fear of difficulties and strive to develop new products. Today, electronics technology is already used extensively and thoroughly in all sectors of the national economy and although our region's electronics industry got started late, there are still broad prospects for development. The Yinchuan Electric Meter and Instruments Plant shifted over to producing meteorological instruments for agriculture and forestry and these products are sold throughout the nation. This is one vivid example. The "Double Phoenix Brand" washing machines for domestic use which our region produces are also well received by the masses. Perhaps some comrades think that our region's electronics industry is weak and its contribution to the entire nation's value of production, profit, and taxes is very small and that developing the electronics industry is not worth the investment. This is a very one-sided view. Wuxi has an electronics industry plant with 2,000 employees, and last year the value of production was 60 million yuan. We should utilize the electronics industry characteristics of low energy consumption, little resource restriction, and ready profitability and vigorously develop it.

2. Implement centralized and unified leadership and take the path of alliance. The electronics industry firms in our region are not many, but

management is decentralized and there are diverse jurisdictions, and there is no unified planning or comprehensive deployment; each plant fights its own battles and it is hard to achieve anything without support. Finding a way to reform the management system, combine the existing medium and small firms into a certain form, implement centralized and unified leadership, formulate development plans, carry out thorough deployment, and strengthen competitive ability, is the way to accelerate the development of the electronics industry. For example, the high voltage generators which our plant produces, use as much as 150,000 yuan worth of high voltage silicon stacks annually. If these high voltage silicon stacks were all handed to the Yinchuan Radio Plant for production, they would have a fairly stable volume of production and this would release our plant's energy to develop other products. By forming an alliance this problem could be resolved.

3. Vigorously developing rural meteorological instruments and electric insulation measuring instruments will further expand superiority. Rural meteorological instruments and electric insulation measuring instruments are two major areas in which our region's electronics industry is already dominant. Establishing a new electronics industry structure with electric meter and instrument plants and electronic instrument plants as mainstay plants is one key to vigorously developing our region's electronics industry at the present stage. At present, the products of these two plants do have markets and the pace is not slow, so consolidation and expanding the superior position they have already achieved will accelerate the development of our region's electronics industry.

8226

CSO: 4013/231

## CONSTRUCTION

### HUBEI PROVINCIAL SECRETARY COMMENTS ON KEY PROJECTS

HK081342 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 6 Jul 83

[Text] Guan Guangfu, provincial CPC committee secretary, said the day before yesterday at a meeting of the standing committee of the provincial CPC committee that all local party committees must adopt an overall point of view in implementing the guideline laid down by the central authorities on concentrating material and financial resources to ensure the completion of key projects. With regard to guiding ideology, task assignment, and specific measures, we must shift our focal point to ensuring the completion of state key projects, the profits of the state, and the interests of the whole, he said.

Comrade Guan Guangfu said: Ensuring the completion of key projects is not an empty slogan. We should give way to and remove obstacles from those key projects which the state assigned to Hubei Province. It is our unshirkable duty to unreservedly give way to state projects and the interests of the whole whenever there are contradictions between state key projects and local ones.

Comrade Guan Guangfu said: While ensuring the completion of state key projects and the interests of the whole, our province must also engage in industrial reorganization and promote association between different enterprises in accordance with our own special and favorable conditions. We must particularly promote technical reform, improve the quality of enterprises, and bring the roles of old enterprises into full play with the aid of scientific and technological development.

Guan Guangfu said: We must make an examination of our work based on the guideline of concentrating material and financial resources to ensure the completion of key projects, check all malpractices, and correct all mistakes for which the provincial CPC committee and provincial government are responsible. We must show our determination and set a good example for others.

CSO: 4006/659

## CONSTRUCTION

### UNHEALTHY TREND TO 'MAKE SOME PROFIT' SCORED

Beijing XINHUA Domestic Service in Chinese 1205 GMT 29 Jun 83

[Report by reporter Long Guangxiong]

[Excerpts] Nanning, 29 Jun (XINHUA)--Editor's note: Currently, there is the phenomenon that units and departments try to "make some profit" from key construction projects (in fact, from the state). The case of the Liuzhou Cement Factory shows that some construction projects themselves are exceeding state-approved plans, taking over more land, requesting more funds and materials and taking the opportunity to "make some profit" at the expense of the state. These two ways of "making some profit" are both very harmful and should be firmly opposed. Under rather difficult financial conditions, it is certainly not easy for the state to concentrate funds for key construction projects. If everyone tries to "make some profits," it will inevitably lead to serious dispersal and waste of investment funds, adversely affecting key projects, mainly in the energy and transport fields. If key national projects are not guaranteed, the national economy as a whole will not prosper, and vigorous economic development in the 1990's will be out of the question. We must rally together to attack this unhealthy trend to "make some profit."

The Liuzhou Cement Factory in Guangxi, taking the opportunity to expand, made a huge profit at the expense of the state. It willfully took over more land and wasted money and materials, causing unwarranted economic losses to the state. The State Council dispatched an investigation team to the factory to conduct an on-the-spot investigation and carried out preliminary action, in coordination with departments concerned.

According to the investigation, the factory's mistakes are manifested in the following matters:

1. It willfully expanded the land to be taken over in disregard of the interests of the state and the people.



2. Taking advantage of the extension, it enlarged the construction of living facilities and increased state investment. The State Council gave approval for the factory to build additional housing, with a floor space of 11,500 square meters at a cost of 1.22 million yuan, as part of the extension project. The factory, however, expanded the floor space to 27,500 square meters and the cost to 2.75 million yuan.

3. It increased the number of workers at will. In the original report, the number of workers in the expanded part of the factory was fixed at 495. However, the factory wanted to increase the number of workers to 1,100, more than 600 too many.

4. The three major materials, steel, lumber and cement, required for the factory's extension project were estimated on the basis of quantities (?needed) for the construction of other new cement factories. Without examination, the quantities of materials requested were far in excess of actual needs. Some of the materials requested were not even really needed. For example, of the 7,300 metric tons of rolled steel ordered this year, 4,000 metric tons were not usable and became idle stock.

In addition to the cement factory's own waste of state funds and materials, some construction units also took the opportunity to "make some profit" on the project.

In the acquisition of land, some local communes, production brigades and peasants also raised unreasonable demands, taking the opportunity to "fleece" the project.

After the problems were basically discovered, the State Council investigation team, in coordination with the autonomous regional party and government leading organs, instructed the Liuzhou Cement Factory's party committee and the regional departments concerned to each make an in-depth examination of their own mistakes.

While the case is being solved, the State Council also suggested to the leading party and government departments of Guangxi Zhuang Autonomous Region that they continue to strengthen leadership over the Liuzhou Cement Factory's extension project, organize the departments concerned in energetically supporting the project with manpower and financial and material resources, and ensure the smooth progress of its construction.

CSO: 4006/659

## CONSTRUCTION

### SHENZHEN CONSTRUCTION FIGURES REPORTED

HK281203 ZHONGGUO XINWEN SHE in Chinese 0043 GMT 28 Jun 83

["Feature by correspondent Zhan Moujun [6124 6180 0193]: One Year Exceeds 30 Years--First Impressions of the Construction Scene in Shenzhen Special Zone"--ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 28 Jun (ZHONGGUO XINWEN SHE)--Recently, the Construction Corporation of Shenzhen Special Zone has provided a few figures for this correspondent: In 1978, the total building floorspace of Shenzhen City (former town site of Baoan Xian) was only 100,000 square meters. Last year, the completed building floorspace of the city was 930,000 square meters, far surpassing the total floorspace built in the past 30 years. The building speed of residential houses ranked highest. At present, the average living floorspace per capita of Shenzhen citizens has risen from under 3 square meters to 6 square meters, the highest in Guangdong Province.

Viewed as a whole, Shenzhen Special Zone is one big construction site. From the busy Luohu District to the Shenzhen Reservoir and the Shangbu Mountain Range, and from the downtown district with its heavy traffic to the Shekou industrial district facing Hong Kong across the sea, development is in progress. Magnificent groups of buildings are rising from the ground, the steel arms of tower cranes stretching high up into the skies, and trucks and bulldozers shuttling back and forth. Within an area of 20 square kilometers, the scene is seething with activities everywhere.

Most eye-catching is the construction of multistory buildings. The 20-story Electronic Branch and the International Commercial Center have been completed and put to use; the 33-story Haifeng Wan Mansion, the 22-story Friendship Mansion, and the 25-story Jincheng Mansion have already held their topping-out ceremonies; 26 more 18 to 48-story buildings will be completed by the end of this year. The greatest number of multistory buildings is in Luohu District; there, they are really like trees in a forest.

Wandering about the downtown district of Shenzhen, one gets the deep impression that its roads are beginning to extend in all directions. A leading member of a construction site who began his work here in 1980 told the correspondent that when he first arrived here, there was not a decent road to speak of; now roads crisscross each other like a cobweb.

According to statistics, the total length of roads in the former Shenzhen city district was only a few kilometers. In order to create a good investment climate for investors, starting from last year, Shenzhen has begun to build 29 asphalt roads 20 to 25 meters wide in its city districts; the total length of these roads amounts to 54 km. At present, 80 percent of the total amount of construction work has been completed. The extension construction of Jianshe Road and Heping Road in Luohu District, a total length of over 3 km, took only a few score of days to complete, which was close to 200 days ahead of schedule. Vice-executive of the City Construction Corporation, Wang Shilun told the correspondent that the principle of road construction of Shenzhen was that where the roads extended, pipes, street lamps, and trees along the roads would follow in close pursuit. This year, 10 more roads and 2 flyovers will begin construction.

Taking a stroll on the newly-built and extended Shangbu Road, Shennan Road and Renmin Road South, the correspondent noticed that street lamps and trees were already lining the sides of the roads. The roads, bicycle tracks and sidewalks were neat and tidy, smooth and broad. The original winding and narrow streets of the town were definitely inferior.

CSO: 4006/648

## CONSTRUCTION

### REPORT ON SHENZHEN CONSTRUCTION DEVELOPMENTS

HK300310 Beijing ZHONGGUO XINWEN SHE in Chinese 0054 GMT 29 Jun 83

["Feature by Correspondent Zhan Moujun [6124 6180 0193]: 'Accelerator' Composed of Internal and External Forces--Shenzhen Special Zone Construction Scene, Part 2"--ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 29 Jun (ZHONGGUO XINWEN SHE)--What accounts for the rapid development of the construction of the Shenzhen special zone? Specialists from the province and local participants in the construction believe that there are many reasons. Among them, "Wai Yin" [1120 1714] (import of foreign investment), and "Nei Lian" [0355 5114] (combining forces with the interior), are important factors. It can be said that the joining of internal and external forces is the "accelerator" of the construction of the Shenzhen special zone.

Listing a few figures, Sun Kai Feng, the chief executive of the development company of the Shenzhen special zone, told this correspondent that as of this moment over 1,600 enterprises in Shenzhen already had foreign investment; and the total sum of investment on which agreement had been reached amounted to over HK\$10 billion, of which \$HK1.7 billion has been put to use.

In his introduction, Wang Shilu, deputy executive of the development company of the Shenzhen special zone, said that through the end of April this year, 20 projects totaling 56 buildings of 18-48 stories had begun construction in the city, with a construction floorspace of 720,000 square meters. Among them, 13 projects, including 40 buildings, with a floorspace of 400,000 square meters, are under construction using foreign investment.

At present, Shenzhen is running a lot of enterprises with foreign investment, which include industry, agriculture, animal husbandry, fishery, commerce, transportation, and construction. Among them, 22 projects have an investment of over \$HK100 million each. For instance, the single-entry printing machine for cartons made with imported equipment by the Shenzhen machinery works has not only filled the void of a printing machine for cartons in our country, but has already begun exporting in large amounts. The Friendship Restaurant, operated jointly with foreign businessmen, has gradually expanded since its opening in July 1980. It now has a room for serving local delicacies and game, a room serving seafood delicacies, a house for catering snake dishes, and two

supermarkets. Eight million yuan in taxes has been turned over to the state. This restaurant is preparing to construct a 28-story mansion using an electronic computer and closed circuit television.

The Shekou industrial district is well-known throughout the world; it has in succession imported over 40 projects with foreign investment, establishing over 12 factories for manufacturing yachts, containers, electronic toys, and so on. Technology and a microwave communications system imported from Denmark are of advanced world level. Freighters with of up to 10,000 tons are sailing into the newly built Chiwan port. In Shekou today, a new-style modern industrial harbor city is taking shape.

However, more important is the fact that the rapid development of the Shenzhen special zone relies on our own efforts, especially joint efforts with the interior. Mayor Liang Xiang said, "The development of the special zone has been going on so fast, and this has much to do with the support of the whole nation in a big way." At present, 17 ministries (or bureaus) at the central level, 20 provinces, cities, and autonomous regions, and 80 prefectures, cities and counties have signed 500 contracts for running factories and shops in joint efforts with Shenzhen, and an overwhelming majority of them have been put into effect. In the past, the electronics industry of Shenzhen amounted to only one radio set factory manufacturing simple parts. Now 14 electronic factories, including Aihua and Jinghua, have been established jointly with units concerned of the interior. The utilization of technical forces of the interior has enabled Shenzhen to process and assemble single chip calculators, micro-processors, radio cassette sets, electronic watches, and color television sets.

The original construction force of Shenzhen was very weak, totaling a few hundred men and around a dozen technicians. Today, there are over 40 design units and construction enterprises a contingent of over 70,000 construction workers, and 2,000 engineers and technicians from various parts of the nation, bringing with them a lot of mechanized construction equipment, and who are struggling valiantly on the work sites. They have guaranteed the extensive unfolding of capital construction in the special zone.

Up to April this year, the city had completed the construction of buildings with a floorspace of 1.2 million square meters. Of the 56 high-rise buildings of more than 18 stories now under construction, over 90 percent were undertaken by construction teams from the interior.

CSO: 4006/648

## CONSTRUCTION

### BRIEFS

HUNAN KEY PROJECTS CIRCULAR--In order to ensure that the key projects are completed on schedule, the Hunan Provincial People's Government issued an urgent circular yesterday, demanding that all places further control the amount of investments in fixed assets and concentrate forces on the key projects. The circular says that it is now necessary to stop or suspend the building of projects not included in the plans, redundant projects, projects without the guaranteed supplies of fuel, motive force, and raw materials and without solving the pollution problem, projects built with backward technology and the high consumption rate, projects incurring losses after completion, and projects whose building standards are raised without authorization although these projects are included in the plans. The capital construction projects with self-raised funds must be strictly controlled within the size approved by the state. Thirty percent of the energy resources and communications charges must be levied on the key projects which exceed the size stated in the plans. [Changsha Hunan Provincial Service in Mandarin 2310 GMT 29 Jun 83 HK]

CSO: 4006/660

## DOMESTIC TRADE

### SICHUAN REGULATIONS ON MARKET, PRICE CONTROLS

HK061349 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 4 Jul 83

[Text] With a view to controlling and enlivening the market in our province in a planned way, promoting production, expanding circulation, stabilizing commodity prices, protecting the masses' interests, and developing the excellent situation, the provincial people's government recently issued regulations on strengthening market and commodity price controls.

These regulations are that all shops, retail departments, counters, and individuals who are not independent accounting units have no right to fix prices. In accordance with the limits of authority, independent accounting units can formulate or readjust prices. They must establish the necessary system and procedures for examination and approval within them. All business units must be honest in their dealings and put goods on sale with the prices clearly marked, doing so within the period of time specified by local industrial and commercial administrative departments and departments in charge of commodity prices. Unlicensed business units which conform to the conditions for registration must be registered within the specified time. Those which do not conform to the conditions for registration must be banned. Those which are in special difficulties can be issued provisional licenses.

State-run shops and purchase and sale cooperatives which deal in commodities which are in short supply must sell them at their retail departments. They are not allowed to sell wholesale or to retain commodities in order to indulge in unhealthy trends. It is necessary to strictly deal with people who, in collusion with each other inside and outside units, make things easy for those who resell at a profit and with people who receive bribes. Wholesale industrial and commercial enterprises can supply goods only to licensed dealers according to the latter's scope of business. Industrial enterprises which are allowed by the state to sell their own products must sell to different buyers at producer price, wholesale price, and retail price, respectively. Except for products whose prices can fluctuate and be negotiated in accordance with the regulations, no products are allowed to sell at high prices or at low prices in order to promote sales. Commodities whose prices are negotiated must sell at a small profit and their prices are not allowed to be driven up in order to reap high profits. Commodities at original prices are not allowed to be sold at high prices.

Commodities at original prices or negotiated prices are also not allowed to be sold on a compulsory basis with other commodities.

State-run and collective business units and individual dealers who engage in wholesale or retail business must persist in the socialist orientation and abide by professional ethics. Selling adulterated commodities, passing low-grade and inferior goods off as high-grade and superior ones, dishonest dealings, reaping higher profits than stipulated in catering trade, charges for commodities not for sale, and exorbitant charges beyond stipulations are all offenses. Relevant departments in charge must strictly deal with them.

CSO: 4006/660



## DOMESTIC TRADE

### SICHUAN FORUM ON STRENGTHENING MARKET CONTROLS

HK061341 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 4 Jul 83

[Text] The provincial industrial and commercial administrative bureau recently held a forum to look into the issues of strengthening market controls and protecting consumers' interests. It held: The province's current economic situation is very good. The market has an ample supply of consumer goods, their circulation is rapid, and the economy is thriving. However, in the course of circulation in the market, some noticeable problems have appeared. The business ideology of some industrial and commercial enterprises and individual business undertakings is incorrect, and they have only sought profits in violation of state policies and commercial ethics, resulting in infringing upon consumers' interests. This phenomenon has occurred often.

At the forum, responsible comrades of industrial and commercial administrative departments in all places decided to grasp the work of strengthening market controls and protecting consumers' interests as a regular important work.

At present, it is necessary to regard the issue of infringing upon consumers' interests as an important point and to conduct penetrating supervision and inspection. It is essential to grasp problems and to solve them promptly. Industrial and commercial administrative departments at all levels must disseminate in many forms, state policies, laws, and orders and regulations on market controls. It is imperative to teach all personnel who engage in commercial activities, to abide by state policies, laws, and orders, to persist in the socialist business orientation, to improve their business work style, to be honest in dealings, not to pass inferior goods off as superior ones, not to sell adulterated goods, and not to sell noxious and putrid food. It is necessary to resolutely ban those who resell at profit commodities which are in short supply, who go on shopkeepers' strikes, who hoard and corner, who drive up commodity prices, and who sell prohibited goods. The new socialist commercial ethics must be vigorously advocated. Those who persist in doing business in a civilized manner and give good service must be commended. The actions of violating state policies, laws, and orders and infringing upon consumers' interests must be strictly and seriously dealt with.

The forum also studied specific measures for reinforcing industrial and commercial administrative personnel and exercising control over the market and commodity prices.

## DOMESTIC TRADE

### SHANDONG ISSUES CIRCULAR ON PRICE CONTROL

SK020905 Jinan Shandong Provincial Service in Mandarin 2300 GMT 1 Jul 83

[Excerpts] The provincial price bureau and industrial and commercial administrative bureau issued a joint circular on 1 July urging all price departments and industrial and commercial administrative departments to strengthen market and price management and to supervise the implementation of market management regulations and the state price policy by state and collective industrial and commercial enterprises and individual industrial and commercial households, so as to protect the legal interests of the masses.

The circular points out: Daily manufactured goods of the first and second categories produced and sold by state and collective industrial and commercial enterprises and individual industrial and commercial households should be sold at the state-fixed prices. It is forbidden to sell these goods at negotiated prices or to purchase them at retail prices and resell them at higher prices. Goods sold by industrial enterprises themselves should have their prices fixed according to buyers. Commodities which should be sold at retail prices stipulated by the state must never be sold at higher or lower prices.

The circular states: All enterprises which conduct business should do their business within the stipulated scope. They are forbidden to go beyond their scope and do business with units of other trades. Households which should have applied for business licenses but did not do so should be banned resolutely.

The circular urges: Price departments and industrial and commercial administrative departments at all levels should conscientiously conduct market and price checks under the unified organization and leadership of governments at all levels with efforts concentrated on arbitrary and disguised price hikes. Unauthorized price hikes, price adjustments and price inflation in violation of the price control regulations should be sternly dealt with according to stipulations. This work should be done regularly and systematically.

CSO: 4006/660

DOMESTIC TRADE

SHANGHAI IMPLEMENTS CIRCULAR ON MARKET ORDER

OW030947 Shanghai City Service in Mandarin 2300 GMT 30 Jun 83

[Text] To implement the State Council's circular on strengthening the management of markets and commodity prices and the eight-point circular of the finance and trade office of the Shanghai Municipal People's Government, departments concerned in all districts of Shanghai municipality, under the unified leadership of the district governments, acted in unison from 23 to 25 June to improve market order and clamp down on unlicensed peddlers and those who fraudulently purchased state-controlled commodities and stole and sold public property.

All districts handled more than 2,500 violations, clamped down on 15 illegal markets, protected the legitimate interests of producers, peddlers, and consumers, and investigated and detained a number of hoodlums who extorted money and beat up people at village fairs.

The public security, industry, and commerce offices of Huangpu District closely coordinated with each other to clamp down on illegal markets on Manjing Road and Xizang Road and at the Bund and the People's Square. They handled 85 profiteering cases and seized a large number of smuggled wristwatches, cigarettes, and silver coins.

Jingan District clamped down on 631 unlicensed peddlers and an illegal market selling imported goods and handled 114 violations. Sixty-six people who fraudulently purchased and stole and sold vegetables were detained at various village fairs.

CSO: 4006/661

## DOMESTIC TRADE

### DEPARTMENT STORE TRADE FEDERATION LINKS PRODUCTION WITH MARKETING

Beijing JINGJI RIBAO in Chinese 23 May 83 p 2

[Article by Yu Rong [0060 2827]: "A Beneficial Experiment: The Nation's Ten Big Department Stores Trade Federation Links Up Directly With Plants"]

[Text] At present, the situation of the market for manufactured goods for daily use is, on the whole, good; but some problems also exist. That is, on the one hand, although there are many varieties of goods in the stores, yet some of them are not selling well; on the other hand, the customers have money, but when they go into the stores, they feel that they cannot buy suitable goods. Also, some goods, originally in great demand and which are rush produced by the plants, are not selling well when a lot of them are put on the counter. Therefore, how to bring into play the bridging function of commerce, linking production to marketing, is a problem that urgently needs to be solved in commercial work. In this respect, ten of the nation's large department stores, through the organization of the Trade Federation, are carrying out a beneficial experiment.

The Trade Federation was organized by the ten big department stores in December, 1981 and is a form of linking production with marketing. It meets irregularly every year and in the meetings, the plants concerned are invited to attend to exchange news of the market and to carry out buying and marketing activities. The volume of business transacted in the Trade Federation's meeting in Beijing in January of this year amounted to over 15 million yuan. Ordinarily, the ten big department stores can make contact with the plants concerned by dispatching people to make purchases or through letters and telegrams. Now, the members joining the Trade Federation have increased from the original ten big department stores to twelve. They are Guangzhou Nanfang Daxia Department Store, Shanghai First Department Store, Shanghai Tenth Department Store, Tianjin Department Store, Xian Minsheng Department Store, Wuhan Market Place, Harbin First Department Store, Nanjing Xinjiekou Department Store, Chongqing Department Store, Beijing Department Store, [Beijing] Xidan Department Store, and [Beijing] Dongfeng Department Store. Later, more will be added; but, according to custom, the name, "The Trade Federation of the Ten Big Department Stores" will continue to be used.

These twelve large-scale department stores are scattered in nine big cities of the country, and these cities are all bases for the production of light and

textile industries. In the past, because of the irrational circulation system, the plants and the stores had no contact with each other even when they were in the same city. The plants engaged in production followed the plans assigned by higher authorities, and delivered the products to wholesale stations. The stores went to the wholesale stations to lay in stocks of goods, and by the time certain products had become unsaleable, the plants had not yet received orders to change production. With the development of multi-channel marketing, this situation of dislocation between production and marketing has improved somewhat. But it is not easy for a plant's product to simultaneously open up markets in various big cities of the country. The habits and likes of consumers in different areas - east, west, south and north - are not the same and certain goods which cannot sell in place A may sell very well in place B. After the twelve big department stores joined together to bring about face-to-face meetings between the plants and stores, they can rapidly relay to the production plants the sales conditions of the market and buying trends of the various big cities. For example, the White Orchid brand washing machine produced by Beijing Washing Machine Plant has, on the basis of the needs of the Beijing market, been updated three times in as many years, from the first, second and third models to the double-bowl semi-automatic model. In Beijing, the double-bowl semi-automatic model is the most popular and the plant organizes raw and processed materials for large-scale production. But the news from Harbin First Department Store is that the second model of the White Orchid brand washing machine is selling very well. Therefore, the plant changes the original intention of stopping the production of the second model and continues to send them to the north-east. Because the news has arrived in time, there is no inventory in the plant and no overstock in the store. Both the producer and the seller are satisfied. At present, there are already more than 70 plants in nine big cities which participate in the Trade Federation to carry out buying and marketing activities. Plants and stores acclaim this method of widening the perimeter for the two to meet each other.

The plants report that when there is a new product, they can quickly hear the opinions of the sellers in nine big cities, thus facilitating the updating of the various kinds of products by the plants. These large-scale department stores are located in prosperous and busy cities; everyday, they attend to several tens of thousands or even hundreds of thousands of customers and a product can rapidly be seen by tens of millions of customers. A plant which handles its own marketing is, after all, limited in its power and the customers with which it comes into contact and the opinions which it hears must be much less. For instance, the quality of the Panda brand television and recorder produced by the Nanjing Radio Plant is good. In the past, the products were purchased by the Nanjing commerce department and were not sold throughout the country. Further, the commerce department was afraid that the products would not sell and they dared not purchase a lot. Now, through the sales promotion by these big department stores, the Panda brand television is selling very well in the whole country and the supply cannot meet the demand. The director of the plant said that they would continue to participate in the future activities of the Trade Federation as this window was very important for the opening up of markets for the products and for the understanding of market conditions in the whole country. Again, for instance, the feather and down garments produced by the Hubei Honghu Feather and Down Garments Plant originally would

not sell. Later, they established business relations with members of the Trade Federation of the twelve big department stores, and, following the opinion of the various big stores, actively improved the designs of the products and enhanced their quality. They opened up markets rapidly. In just this April, these big stores have ordered over 10,000 pieces, nearly doubling that of last year. Now, this plant's feather and down garments are being sold in places like Beijing, Tianjin and Harbin. If it were not for this Trade Federation, even if a county-managed plant sent out more salesmen, it would still be difficult to achieve such results.

The comrades of these big stores said that from their point of view, the more marketable goods on the counter the better, the fewer links in the laying in a stock of goods the better, the lower the circulating expenses the better, the sooner the goods are sold the better, and the implementation of face-to-face meeting between the plants and the stores is a very good method. The Beijing Washing Machine Plant has worked out these figures: if following what had been done in the past, the products were first sent to the wholesale station warehouse after leaving the plant, and were then sold to retail stores by the wholesale station, in 1982, this plant would need nearly 100,000 yuan for the single item of transportation expenses within the city alone; add to this other expenses and in a year, the plant has to spend an extra one million yuan. After the link up between the plants and the stores, the stores directly obtain their goods from the plants and can save a great deal of expenses.

The joining together of the large-scale stores in their business activities is an experiment and requires continuous refinement, development and enhancement through practice, so as to promote the development of production and the increased prosperity of the market.

12380

CSO: 4006/583

## DOMESTIC TRADE

### YUNNAN DEVELOPS COMMERCE, SERVICE TRADES

HK070638 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 5 Jul 83

[Text] In an effort to promote commodity production and satisfy the needs of the people in urban and rural areas, the provincial people's government recently approved and transmitted the proposal of the provincial economic planning commission and commerce department on developing collective and individual commerce and service trades in urban and rural areas, calling on the various localities to study and implement the proposal conscientiously.

The provincial people's government pointed out that, in recent years, the urban and rural collective and individual commerce and service trades in our province have rapidly returned to normal and have made great headway. However, our commercial network still fails to meet the needs of the people in urban and rural areas, particularly the people in the vast rural areas and remote mountainous areas, in both production and livelihood. In future, with the exception of cities and towns which should continue to develop commercial network appropriately in accordance with the principle of rational distribution and complete variety of trades and professions, it is necessary to develop rural collective and individual commerce and service trades vigorously, boldly, and fully. The various localities should conscientiously organize the relevant departments to make concrete development plans and to put them into practice.

The proposal of the provincial economic planning commission and commerce department covers the following five aspects:

1. Profoundly understand the guiding principle for developing urban and rural collective and individual commerce and service trades and vigorously develop collective and individual retail sales and service trades in order to make things convenient for the people and to promote the development of production.
2. Make overall planning and arrange rational distribution. In inland mountainous areas and in border areas inhabited by the minority nationalities, it is necessary to set up shops in relatively big natural villages or in some nearby natural villages where there is a relatively big population. Efforts should be made to gradually achieve the goal of setting up at least one shop for every 100 households. In urban and rural areas, our

principal attention should be paid to developing those trades and professions which are lacking or insufficient. All urban and rural areas in our province are required to develop more than 20,000 collective and individual retail shops and service centers this year.

3. Develop diversified forms of business in light of the local conditions. It is necessary to support actively those who ask to run collective undertakings, including agriculture, forestry, animal husbandry, fishery, commercial and industrial combinations, distribution centers for the products of enterprises run by communes, brigades, and teams, shops run by communes, brigades, and teams and joint commercial enterprises run by commune members. Those which have been set up should be continuously run well. The outstanding problems relating to their operations should be solved through consolidation. The shops commissioned to purchase or sell goods, which are run by production teams, can be changed into self-run shops if the teams so request. The self-run shops of production teams may also be contracted to commune members for their operation. With respect to commune members who have the necessary conditions to run business and who volunteer to engage in commerce as their special jobs, we should allow them to become specialized households in commerce and service trades.

4. State-owned departments, such as commerce, industry, communications, banks, tax, and industrial and commercial administration, should vigorously support the development of collective and individual retail shops and service trades. Those who report for business can obtain and do business after they secure approvals from the industrial and commercial administrative department. With respect to those who have some difficulties in raising sufficient funds, the banks can extend credit to them. Those who run small business and have very little income can apply for reduction of exemption of taxes.

5. Strengthen leadership over management. The industrial and commercial administrative department is responsible for administration and management. The relevant state corporations in cities and the supply and marketing cooperatives in the rural areas, and the state-owned commercial enterprises in the border areas are responsible for giving professional and technical guidance; the other relevant units should coordinate their work well. It is necessary to organize all individual commerce, service, catering, and repairing trades into associations of individual laborers and organizations for different trades and professions, help solve the outstanding problems in operations, and safeguard their legal rights and interests so that they can engage in just and legitimate business under the guidance of state policy and planning and promote the economic development.

CSO: 4006/660



## DOMESTIC TRADE

### BRIEFS

SICHUAN REDUCES TEA PRICES--In order to strengthen and improve the sales of tea, and to further promote the development of tea production, the provincial foreign trade and economic relations bureau and the provincial price bureau have decided that, effective from 1 July, the retail prices of teas which are sold to domestic markets by the provincial tea company will be reduced in the province. The reduction in prices will be different according to different tea qualities. The prices of some teas will remain unchanged but that of others will be greatly reduced. Consumers will benefit from the price reduction to a certain degree. The retail prices of Hua tea and Tuo tea in the province were fixed in 1962 and have remained stable since then despite four increases in the purchasing prices of the teas. The relevant provincial departments have now decided to reduce by a reasonable amount the retail prices of teas and to keep unchanged the purchasing prices of teas so as to ensure the income of tea-growing peasants. [Text] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 1 Jul 83 HK]

CSO: 4006/659

## FOREIGN TRADE

### MAYOR SAYS INVESTMENT IN DALIAN CITY WELCOMED

HK010435 Beijing ZHONGGUO XINWEN SHE in Chinese 0809 GMT 30 Jun 83

[Text] Beijing, 30 Jun (ZHONGGUO XINWEN SHE)--This morning, Wei Fuhai, mayor of Dalian city, told the representatives of foreign firms and of foreign commercial institutions in China that Dalian had an excellent investment climate and that people of the industrial, commercial, and financial circles of all areas and all countries were welcome to the international economic and technological cooperation talks to be held in Dalian in September 1983. The Dalian City People's Government is willing to carry out all forms of extensive economic and technological cooperation with commercial firms from all areas.

Mayor Wei Fuhai said the above at the reception given by the preparatory committee for the international economic and technological cooperation talks which will be held in Dalian.

He said that Dalian has a world famous natural harbor--the Dalian Port, from which sea routes radiate in all directions and where international exchanges are very convenient. At present, ships run from Dalian Port to over 60 countries and regions in the world. Dalian Port now has 48 berths in operation, and its handling capacity amounts to more than 34 million tons, which ranks it second in the whole country.

Wei Fuhai said that Dalian's foreign trade had developed very rapidly. The relevant departments of the state, together with provinces and autonomous regions such as Liaoning, Jilin, Heilongjiang, and Nei Monggol all have their agencies stationed in Dalian. Eighteen companies and corporations of Japan and the United States have also set up offices or appointed their resident representatives in Dalian. Dalian Port shoulders the import and export responsibilities of the three provinces in the northeast and of the four eastern leagues of the Nei Monggol Autonomous Region. The port has trade contacts with more than 130 countries and regions in the world, its clientele numbering over 10,000. The total annual quantity of export commodities and the total annual export value in monetary terms both rank first in our country. In 1982, the total export value stood at \$4.3 billion.

At present, Dalian city is carrying out overall planning and the construction of key projects, focusing on such fields as energy resources, communications and transport, transformation of old enterprises, and city public facilities. With respect to communications and transport, Dalian Port will build and expand docks and other facilities, so that the handling capacity of the harbor will be considerably enhanced. Reconstruction, expansion, and new construction will also be carried out in various fields such as railways, highways, civil aviation, and sea transportation. New air routes will be opened as soon as possible, so that an air corridor can be formed connecting Beijing, Shanghai, Guangzhou, Japan, Hong Kong, and Europe. Construction work will soon begin regarding the city public facilities such as microwave communication, telephone cables, heavy-duty programmed exchange, ground satellite station, foreign trade building, and tourists' guest house.

Wei Fuhai further pointed out that in the future we are going to give further play to the advantageous position of Dalian, develop foreign trade, actively make use of foreign capital, promote international labor cooperation and contracted engineering projects, and expand international economic and technical cooperation and exchanges. This is a long-term strategic measure to expedite the construction of Dalian's modernization drive. Therefore, with regard to the cooperation between Dalian city and the industrial and commercial circles and financial circles of various countries and regions of the world, the prospects are very good and encouraging.

CSO: 4006/661

## FOREIGN TRADE

### DALIAN MAYOR ON USE OF FOREIGN INVESTMENT

HK030227 Beijing CHINA DAILY in English 3 Jul 83 p 2

[Report by staff reporter Zhu Ling: "Dalian To Update Major Industries With Foreign Funds"]

[Text] Dalian, Liaoning Province, aims to modernize its principal enterprises by the year 1990, Wei Fuhai, the city's new mayor, told CHINA DAILY yesterday.

This will be 10 years sooner than the state target, set for the year 2000, calling for enterprises to achieve technology levels of late 1970s and early 1980s in advanced nations.

An important coastal industrial city in China, Dalian is a hub of north-south communications and major international trading port.

Wei, who used to be an electrical engineer at Dalian Chemical Plant, became mayor this April.

Wei admitted that all of Dalian's 1,826 enterprises need technical transformation. "Literally most of them still remain in the 1950s, technically," he said.

Dalian plans to open up new avenues of foreign investment and advanced technology, the mayor said.

During a symposium in September, the city will propose 80 projects for international cooperation in various forms. They will involve transformation of more than 70 enterprises in metallurgy, chemistry, machine-building, textiles and light industry. The estimated cost will be more than \$100 million worth of foreign investment.

Most of the projects are small and medium sized, but many major projects are now under feasibility studies and they will be offered soon, the mayor said.

If those projects are successful, their technical capability will be 10-20 years more advanced than they are today. By then, the annual gross industrial production value of the city will jump by more than 10 per cent.

## Preferential Rights

Preferential income tax plans for industries involved in cooperative investment and management will be provided.

The previous tax-free span has been extended from one year to two years, and the original halving of taxes in the second and third years now extends to the fifth year.

"Our country encourages the products of foreign investment to be sold overseas, but at the same time permits their sales within the country provided they fill the needs of the internal market, and that the manufacturer can balance his receipts and payments of foreign currency," Wei said.

Joint venture enterprises are also granted exemption from import tariffs and commercial and industrial import taxes on raw and processed materials, basic and spare parts as well as packaging materials used in the production of goods for the overseas markets.

Goods and materials that need to be purchased on the local market will all be supplied at the domestic market price paid by state-run enterprises, except for such materials as precious metals, oil, coal and wood which are to be set at international market prices.

Since 1979, Dalian has conducted co-operation with foreign firms in various forms with fruitful results, Wei said. "Through cooperation with a Swiss firm, Dalian Shipyard has become the first in China to produce cargo freighters for export. Last year it turned out six freighters for export."

Last year, Dalian Heavy-Duty Machinery Plant succeeded in producing six continuous casting machines as a result of cooperation with a firm from West Germany and such products have been "very important to the transformation of the country's iron and steel industry." The machine not only helps raise steel production but save energy. For example, more than 600 kilograms of coal can be saved in producing one ton of steel now.

CSO: 4020/98

## FOREIGN TRADE

### GUIDELINES NECESSARY FOR IMPORT OF TECHNOLOGY

HK011509 Guangzhou YANGCHENG WANBAO in Chinese 29 Jun 83 p 2

[Article by Ke Jiao [2688 2403]: "Several Questions That Must Be Given Attention in the Present Work of Importing Technology and Equipment"-- passages within slantlines published in boldface]

[Text] Importing the advanced technologies that can be afforded by our country and that suit our national conditions is an important guideline for raising our country's scientific and technological level. The Guangdong Provincial People's Government has decided to set aside, each year in the future, part of the province's foreign exchange earnings for importing technology and equipment, and to take measures accordingly to encourage and facilitate this kind of import. It can be expected that this decision will play a positive role in speeding up the four modernizations in our province. In order to properly carry out this decision, it is necessary to solve the following problems concerning our understanding and practice.

/1. It is necessary to unify our understanding and to define more clearly the principle and the policy concerning the import of technology./

At present, there are different views with regard to the guidelines to be adopted in importing technology. Comrades of some departments hold that we should give up the old policy which stressed the import of equipment and, instead, adopt a policy which stresses purchase of technology, software, and prototypical machines. From a long-term point of view, their opinion is certainly correct. However, for the time being, we still cannot expect all our departments and units to adopt this policy which stresses purchase of technology, software, and prototypical machines. The reason is that, with a vast territory, a rich reserve of manpower, an underdeveloped economy, and a relatively weak technical basis, our country is suffering from imbalance in development. This basic national condition determines that the rational technical structure for our country should be a multi-level combination of automatic, semiautomatic, mechanized, semimechanized, and manual production, with applicable technology as the key link. At the present stage, our country's capacity to absorb advanced foreign technology remains relatively limited. What we badly need is "intermediate technology," tendered in the form of real machinery, mainly less advanced technical equipment. Based on these circumstances, we can introduce

technology and equipment through many channels at different levels. First, those departments and enterprises with higher technical level and greater capacity to absorb advanced technology may concentrate their attention on purchasing technical patents and software. As soon as they have a full command of the imported technology, they can play a role in transplanting their advanced technology to other parts of the country. Second, we can import in a planned way the key equipment which we cannot produce by ourselves, and put these devices into operation as soon as possible. Generally speaking, such a practice costs less but can achieve economic results relatively quickly. Third, we can acquire the necessary technology and equipment through international technological exchange, aid, consultation, study tours, and so on. However, no matter what way we import technology and equipment, our unique purpose is to increase our own capability and promote the domestic scientific and technological level so that we can finally stand on our own feet. We must have a clear understanding that our country's socialist modernization must be achieved mainly through our own efforts. Therefore, in importing technology and equipment, we must concentrate our attention on obtaining designs, production processes, and techniques, and key equipment. In deviating from this guideline, our province has suffered losses. For example, the electronics industry of our province is among the pioneers in the country in importing foreign technology. However, having put undue emphasis on import of complete assembly lines in the initial period, we were not able to build up our own production system since we could not produce some key component parts, although we managed to increase the production and output value of the electronics industry by a wide margin.

It was correct to give priority to the light and textile industry in the readjustment of the national economy. However, the machine-building industry and the raw material industry which back and supply equipment to various sectors of the national economy should never have been overlooked. In importing technology and equipment, we should also take these two sectors into full consideration so as to step up their technical transformation. In recent years, the electromechanical industry in Shanghai municipality imported dozens of separate small-scale technologies, including some key devices and testing instruments which were less expensive and could give instant and good effect. The import of these technologies has played an active role in improving product quality, saving energy, reducing raw material consumption and production costs, shortening the cycle of developing new products, speeding up the obsolescence of old products, and so on. In contrast to Shanghai, our province does not seem to have paid enough attention to this aspect. Quite a lot of electromechanical products of our province which had been relatively marketable have lost their superiority in terms of design and variety, quality, price, and so on, in the domestic and international markets. Such a development should attract our attention.

/2. Maintain an overall balance in drawing up plans and find a proof of the feasibility of the plans based on technological conditions and economic theory./

The import of technology must be based on the needs of the development of the national economy and be carried out in a planned way. Therefore, it is necessary to clearly define our province's principal direction in technical and economic development in the future and take the overall situation into consideration. This is the essential prerequisite for the smooth implementation of the policy of importing technology. In importing technology and equipment, we must take the balanced development and the coordination between funds, energy, and raw materials into account. Local enterprises in our province have relatively rich reserves of foreign exchange, but lack funds in local currency for purchasing accessories which are needed for forming complete sets of equipment. This is a very conspicuous contradiction, particularly in the case of equipment imported to facilitate technical transformation. In our opinion, the following measures can be considered: 1) Part of the investment funds for capital construction at different levels should be set aside for accommodating technical transformation in different sectors of the national economy. 2) On condition that the profits handed over to the state are not affected, the time limit for equipment depreciation should be appropriately shortened. The greater part of the depreciation funds should be retained for enterprises themselves. 3) Part of the funds for production development derived from profits retained by enterprises should be set aside. 4) Funds can also be raised by borrowing loans from banks or through other channels. Moreover, in order to give full play to the initiative of enterprises, we can also consider retaining a certain portion of the surplus profits for those enterprises which achieve good economic results by importing technology and equipment.

In order to maintain an overall balance between different plans, we must also carefully find the proof of the feasibility of the plans based on technological conditions and economic theory. The "Provisional Ordinance on the Import of Technology and Equipment" promulgated by the State Council stipulates that an application for every imported item should be submitted together with a project proposal based on the feasibility study concerned. The contracts for import projects can only be signed after the projects are examined and approved by the administrative organs at the corresponding levels. In the past, we did not pay enough attention to this aspect. Feasibility studies were usually dominated by one-sided views since the applicants were eager to push the projects through. Such practices rendered feasibility studies meaningless and caused extra losses as well.

The following aspects should be taken into consideration when examining and approving the feasibility studies on import projects: Whether the projects are consistent with the technical policy of the state, whether the imported technology is applicable, advanced, and reliable, whether the imported technology suits the present scientific and technological level of our country, and so on. The working procedure by which a small number of people monopolize the decisionmaking power must be changed, and the role of engineering and technical personnel should be brought into play so as to guarantee that every project will result in good economic results.

/3. Importance should be attached to adoption, application, and development of imported technology./



This is the key link in achieving good economic results by importing technology. However, we lack so far a unified plan to determine what kind of technology and equipment should be imitated, adopted, utilized, improved, and developed. We do not have any system and establishment to regulate our efforts in collecting technical information, organizing technical personnel, raising funds, and implementing projects. Basically there is no firm guidance or plan, which is very unfavorable to the improvement of our technical level.

In order to do a good job, we must first familiarize ourselves with the situation. Information concerning all imported technology and equipment should be collected and compiled into a handbook. After that, a plan for adoption, application, and development should be worked out in light of the actual needs and possibilities. And finally, all scientific and technical personnel on various fronts in the province should be organized to do their share in the coordinated effort.

Since the technical force and the funds of a single province are limited, the departments concerned of the state may initiate cooperation between Guangdong Province and other provinces, municipalities, and regions with a sound industrial basis, by establishing jointly operated transprovincial technical service companies and promoting technical exchange with foreign countries and the import and imitation of foreign technology. Such a practice will be of great significance to speeding up the transplantation and popularization of imported technology in our country, to facilitating economic development, and to improving the technical level of our country.

CSO: 4006/660

## FOREIGN TRADE

### PRC TO IMPORT MORE ADVANCED TECHNOLOGY

HK050827 Beijing JINGJI RIBAO in Chinese 27 Jun 83 p 1

[Report: "China To Import 3,000 Items of Advanced Technology"]

[Text] In order to strengthen the technical transformation of medium- and small-scale enterprises and to attain better economic results, China will import 3,000 items of advanced technology in the last 3 years of the Sixth 5-Year Plan. This is an important measure taken by the State Council to promote the technological progress of enterprises.

In accordance with the requirements of the State Council, in December last year and March this year, together with the departments concerned, the State Economic Commission formulated the plans for importing technology from abroad to technically transform our medium- and small-scale enterprises in the coming 3 years, and extensively heeded the opinions of the 28 provinces, cities, and autonomous regions.

Meanwhile, we have begun to make contacts with the countries concerned on the items for which conditions are already ripe and transactions for some of the items have been signed and concluded. For example, a batch of items of technology our country plans to import from Europe has been approved and work in the field of external relations has been started. Shanghai and Tianjin, where the experimental work of expanding decision-making power is being conducted, are speeding up the importation of advanced technology. Up to the middle 10 days of May, Shanghai had signed and concluded 55 contracts (agreements), with 75 more items being under way. The principal responsible comrade of the Tianjin Municipal CPC Committee personally led this work and started with the basic items and the grassroots work groups in a down-to-earth manner, and thus made relatively rapid progress in work in the field of external relations.

The key trades of the medium- and small-scale enterprises which are to be transformed with imported technology include light industry, textile, food, packing, machine-building, electronics, chemical, medical, and building materials industries, and part of the raw and semifinished materials industries producing necessary accessories. At the same time, stress was put on importing the new technology of saving energy and of developing comprehensive utilization.

The CPC Central Committee and the State Council have always attached importance to the work of importing technology to transform medium- and small-scale enterprises and repeatedly pointed out that it was advisable to relax our policies appropriately, to properly delegate the right to examine and approve to the lower levels, and to make every effort to simplify formalities. For this purpose, the State Economic Commission studied the relevant incentive policies and measures and formulated several preferential regulations for such things as examination and approval, customs duty, industrial and commercial taxes, and repayment of loans for imported items for technical transformation use, and at the same time the commission demands that the departments and localities concerned vigorously and carefully do the preparatory work on importing items of technology from abroad well, in a down-to-earth and reliable manner, and create a new situation in the work of importing technology from other countries.

CSO: 4006/659

## FOREIGN TRADE

### BRIEFS

CHINA RESOURCES COMPANY--Beijing, 12 Jul (XINHUA)--The China Resources Company, sole agents in Hong Kong of China's foreign trade corporations, has changed its name into the China Resources (Holdings) Company Ltd, announced the Chinese Ministry of Foreign Economic Relations and Trade today. The company has registered with the Hong Kong authorities, with a registered capital of 200 million H.K. dollars, the ministry said. Established in 1948, the company has been handling trade between China's mainland and Hong Kong. All the shares of the company belong to China's national import and export corporations, the Chinese ministry said. The China Resources (Holdings) Co. Ltd is governed by 20 directors with Jia Shi as the chairman, and Zhang Jianhua as the vice-chairman and general manager. [Text] [Beijing XINHUA in English 0739 GMT 12 Jul 83]OW]

CSO: 4006/661

## LABOR AND WAGES

### JILIN HOLDS TRADE UNION CONGRESS

SK290335 Changchun Jilin Provincial Service in Mandarin 1030 GMT 28 Jun 83

[Text] The seventh provincial trade union congress and the meeting of the representatives of trade union activists ceremoniously opened on 27 June at the auditorium of the provincial guest hall in Changchun city. This congress will elect the seventh committee of the provincial trade union council, elect the representatives of the province to the 10th National Trade Union Congress and commend the advanced trade union collectives and excellent trade union cadres and activists.

A total of 890 representatives attended the congress. All these representatives are trade union workers on the fronts of industry, communications, capital construction, agriculture, forestry, finance, trade, culture, education, scientific research, public health and sports or are workers and staff members who have made remarkable contributions. Among them are noted veteran model laborers, young talents, veteran comrades who have engaged in trade union work for scores of years and young trade union workers. Compared with all the congresses held in the past, this congress has been attended by more advanced and model personages, young workers and staff members and intellectuals.

Attending the opening ceremony were Zhang Gensheng, Gao Di, Zhao Nanqi and Liu Jingzhi, secretaries of the provincial CPC committee; Liu Yunzhao, Li Yaquan and (Liu Jing), standing committee members of the provincial CPC committee; Wang Daren, chairman of the provincial advisory committee; Yu Lin, vice chairman of the provincial advisory committee; Yu Ke, chairman of the provincial people's congress standing committee; Liu Cikai and Wang Jiren, vice chairmen of the provincial people's congress standing committee; (Liu Shulin) and (Wang Jinshan), deputy governors of the province; and (Zhang Cheng) and Luo Yuejia, vice chairmen of the provincial CPPCC committee.

At 0830, (Wang Hongju), executive chairman of the congress and deputy director of the provincial trade union council, declared the congress open. (Zhou Wenhan), acting director of the provincial trade union council, delivered the opening speech.

On behalf of the provincial CPC committee, Comrade Liu Jingzhi, secretary of the provincial CPC committee, spoke at the opening ceremony. He said: The convocation of this congress is a major event in the political livelihood of the 4 million workers and staff members across the province and will certainly play an important role in developing the workers' movement and trade union work in our province and in further mobilizing the broad masses of workers and staff members to create a new situation in all fields of socialist modernization.

Liu Jingzhi pointed out: Our party has always paid attention to trade union work. Recently, the Secretariat of the CPC Central Committee has specially discussed trade union work and further defined the character and task of trade unions. Trade unions are a mass organization which represents the interests of the working class and handles affairs for the working class under the leadership of the party. The comrades in charge of trade union work should fully understand their honorable duties, ardently love trade union work, emancipate their minds, have the courage to assume responsibility and to protect the interests of the working class and dare to speak for the workers and handle affairs for the workers.

Delivering congratulatory speeches at the ceremony were leading comrades of the provincial military district, the provincial CYL committee, the provincial women's federation, the provincial scientific and technological association, the provincial federation of literary and art circles and the provincial federation of Overseas Chinese.

On the afternoon of 27 June, the congress representatives listened to the work report of the sixth provincial trade union committee and to a report on financial work. The congress will last 8 days.

CSO: 4006/661

## LABOR AND WAGES

### THEORIST CALLS FOR LOYALTY OF TRADE UNIONS

OW091405 Beijing XINHUA in English 1341 GMT 9 Jul 83

[Text] Beijing, July 9 (XINHUA)--China's trade unions at all levels should be loyal representatives of and speakers for workers' interests, a Chinese theorist says in an article in today's "Workers' Daily".

Linking Lenin's remarks about the role of trade unions under socialism--that they represent the interests of the working class and their primary task is to resolve contradictions among the people--with China's present situation, Liao Gailong said that as an organization established by the workers to safeguard their interests, a trade union must safeguard workers' present, long-term and overall interests, while at the same time following the principle of taking into account of the interests of the state, production units and individual workers.

Liao Gailong, deputy director of the Party History Research Center of the Central Committee of the Chinese Communist Party, is also vice-chairman of the Commission for Collecting Party Historical Data of the party Central Committee.

In socialist society, where the main contradictions are those among the people, Liao Gailong said, trade unions must wage struggles against bureaucracy and "selfish departmentalism" which harm the interests of the workers.

However, he added, strikes or demonstrations should be avoided in conducting such struggles, and dialogues, consultations and negotiations between trade unions and enterprise managements or state organs are encouraged in resolving contradictions.

While satisfying the reasonable demands of the workers, this does no harm to the interests of other people, the state and the development of China's economy as a whole, he said.

In short, he said, a trade union must be concerned at all times with improving workers' material and cultural life and be the organizer of and adviser to the life of the workers.

Liao Gailong said that the trade union must strive for and safeguard the workers' democratic rights, namely the rights to be masters of the country, and strive for the building of highly democratic political system.

In this case, trade unions should first of all play an important role in the management of their organizations and enterprises and elect those who have both ability and political integrity to these management bodies.

The trade unions, Liao Gailong added, should also help the party and the government train and select those who are in the prime of their life and firmly support the party's line and at the same time they are professionally competent and have leading skills.

CSO: 4020/98



## TRANSPORTATION

### BRIEFS

SEMI-ANNUAL TRANSPORT QUOTAS--Beijing, 12 Jul (XINHUA)--China has topped its semi-annual quotas for passenger and freight, water and land transport, according to today's WORKERS DAILY. Coastal, ocean and Yangtze River freight transport reached 50.3 percent of the annual total, 2.5 percent over the same 1982 period, the paper says. Cargo handled at major coastal ports reached 53.6 percent of the annual quota, with 7.4 percent more cargo moved in the first half of the year than the same period last year, the paper adds. Highway freight transport rose 6 percent and passenger transport 11.6 percent over the same 1982 period. The volume of rail freight was 573 million tons, reaching 51.1 percent of the annual quota. This was up 3.8 percent compared with the same period last year, the paper says. [Text] [Beijing XINHUA in English 1100 GMT 12 Jul 83 OW]

RAILWAY CORPS CONSTRUCTION WORK--Beijing, 5 Jul (XINHUA)--The Railway Corps has prefulfilled its railway construction work for the first half of this year. The total volume of work exceeded the planned volume by 7.9 percent, and is 65.8 percent more than the same period last year. The Nanjiang Railway and Qingzhang Railway, among nine new railways being constructed by the Railway Corps, have reached the final stage of construction. By the end of June, the investment plan of the two railways for the first half of this year had been overfulfilled by 12.3 and 5.4 percent respectively. [Summary] [OW130949 Beijing XINHUA Domestic Service in Chinese 0817 GMT 5 Jul 83 OW]

HEILONGJIANG BUS-AND-TRUCK COMPANY--The China integrated company specializing in bus and truck production was recently established in Harbin, Heilongjiang Province. Over 70 plants in 28 provinces and autonomous regions across the country have joined the company. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 25 Jun 83 SK]

TIANJIN PORT HANDLING VOLUME--Tianjin port prefulfilled its semi-annual freight handling plan by 18 days. The volume of freight handled in June increased 13 percent over the record figure in May, and the volume of freight handled in the second quarter increased 16.5 percent over the third quarter of 1982. The number of vessels leaving the harbor in June reached 199, topping March by 11.7 percent. [Summary] [Tianjin City Service in Mandarin 0030 GMT 3 Jul 83 SK]

BEIJING-QINHUANGDAO RAILWAY--Shijiazhuang, 30 June (XINHUA)--Following completion of tracklaying, eleven stations opened to traffic today on the western section of the double-track, electrified Beijing-Qinhuangdao railway. The 280-kilometer railway will transport coal from Shanxi Province, China's leading coal producer, to the coal wharf at Qinhuangdao in Hebei Province. It is designed to carry 60 million tons of coal annually from Shanxi for export and domestic consumption. There are 21 stations on the railway's 150-kilometer western section, which runs from Shuangqiao, in the suburbs of Beijing, to Langwopu. The eastern part runs from Langwopu to Qinhuangdao. Tracklaying for the western section was completed 48 days ahead of schedule. [Text] [OW060523 Beijing XINHUA in English 1121 GMT 30 Jun 83]

HANGZHOU-NINGBO CANAL OPENS--Hangzhou, 4 July (XINHUA)--A canal linking Hangzhou, capital of Zhejiang Province, with the province's major industrial center of Ningbo opened to navigation last Friday. The 252-kilometer canal joins Zhejiang's three major waterways--the Qiantang, Caoe and Yongjiang Rivers--and forms an extension of China's ancient grand canal, which runs from Beijing to Hangzhou. The new canal is expected to ease pressure on railways and highways and expand cargo traffic between urban and rural areas in the northern part of the province. Work on the waterway, which can now accommodate 30 to 40 ton vessels, began in 1980. The project included building four new boat elevators and 27 bridges. Planning is now underway to further widen and dredge the canal to allow the passage of 100-ton ships, the provincial water transport department said. [Text] [Beijing XINHUA in English 1403 GMT 4 Jul 83 OW]

CSO: 4020/97

GENERAL

## COLLECTIVE ECONOMY FLOURISHING IN RURAL AREAS

Guangdong NANFANG RIBAO in Chinese 6 Jun 83 p 1

[Reported by Qin Guangdou [6009 0342 2435] and Huang Rong [7806 2837]: "The Collective Economy of Cooperative Members in Our Province's Villages is Flourishing"]

[Text] A new economic force that has newly emerged in our province's villages - the commune members' cooperative economy - has flourished. At present, in the whole province, there are more than 28,900 cooperative enterprises organized by peasants in 13 districts and cities, with a total annual income of over 280 million yuan.

In recent years, because of the full-scale implementation of the contracted production responsibility system, the incomes of cooperative members have generally increased. Many peasants, having surplus food, money and labor, adopt the method of voluntary association, raise funds by themselves, manage their own activities, and organize to develop the resources and economy of the villages. At present, there are more than 76,000 peasants in the province who have jointly organized such industries as cultivation, breeding, processing of agricultural and subsidiary products, construction materials, excavation, and fishing. They supply society with many agricultural and subsidiary products, including fish, shrimp, crabs, the three types of fowl, fruit and candies, as well as with many kinds of industrial raw and processed materials like rare-earth ores and cement. Last year, the nearly 1,000 cooperative enterprises organized by 3,600 peasant households of Shangyang commune in Yangjiang have supplied society with over 16,000 dan of fishery products. Cooperative members of the three households of Luo Haitan [5012 3189 3240], Luo Guanxing [5012 6034 5281] and Luo Desen [5012 1795 2773] of the Jingwu production team, Buxin brigade, Luxi commune in Longmen county, formed a partnership to manage a small coal pit. In only over three months' time, from last September to the year's end, they extracted more than 700 tons of coal, with a total income of 18,000 yuan and a net profit of 14,000 yuan.

12380

CSO: 4006/583

GENERAL

PRC DEVELOPS YANGTZE RIVER DELTA ECONOMIC ZONE

OW071154 Beijing XINHUA in English 1117 GMT 7 Jul 83

[Text] Shanghai, 7 July (XINHUA)--China has completed a comprehensive economic survey of the Yangtze River Delta economic zone--one of China's most prosperous regions now being developed by pooling the resources in Jiangsu and Zhejiang Provinces and Shanghai Municipality.

The survey was made in the first half of this year by the office in charge of the development program for the 50,000 square kilometer area. Eleven ministries, including those in charge of electronics, textiles, metallurgy, machine-building and railways, also took part.

Representatives of the ministries are now in Beijing reporting their results to the State Council, according to a spokesman for the office in charge of the development program.

"The Ministry of the Electronics Industry has outlined its plans to help the region develop the industry," the spokesman said.

The Yangtze River Delta encompasses 10 cities and 57 counties in Jiangsu and Zhejiang Provinces and Shanghai Municipality. With a population of 50 million, it is the only place in China where the combined annual output value of industry and agriculture averages 1,000 U.S. dollars per capita--a national target to be achieved by the end of this century.

Following the establishment of the development office in Shanghai earlier this year, the spokesman said, work began on experiments designed to streamline the expansion of various branches of the area's economy by breaking up rigid administrative divisions between the provinces and the city.

One of the pilot projects being planned is a company to increase production of "Phoenix" and "eternal" bicycles, both made in Shanghai. The new company will be established by merging bicycle factories in Shanghai with six other bicycle factories and 31 bicycle parts plants in Jiangsu and Zhejiang Provinces.

"The project is aimed at enabling these factories to undertake specialized production to increase their overall output," the spokesman for the office said.

A statistical information network was inaugurated last month at Shaoxing, in Zhejiang, to promote development of the area. Also in operation are two other organizations--the network of chemical industrial information and the international finance society. The Nanjing-based society provides consulting services to aid the development of the area and help make Shanghai a world financial information center and a center of international accounts settlement.

CSO: 4020/97

GENERAL

#### ZHAO HAILS RESTORATION OF TRADITIONAL FOODSTUFFS

OW081248 Beijing XINHUA in English 1151 GMT 8 Jul 83

[Text] Beijing, July 8 (XINHUA)--Thanks to suggestions made by former industrialists and businessmen some of China's traditional delicacies which have disappeared from the market will soon be reappearing.

A proposal to restore the nation's traditional foods, offered by the China Democratic National Construction Association--one of China's democratic parties--and the All-China Federation of Industry and Commerce, has been accepted by state leaders.

Premier Zhao Ziyang said, "We should use traditional foods to break a new path for our developing food industry. This is important work on the government's agenda."

During their long history, the Chinese people have created not only dishes which are highly regarded abroad, but many special flavors, famous cakes, local refreshments and typical regional specialities.

Most foreign visitors to China want to taste these delicacies as much as they want to climb the Great Wall.

During the "Cultural Revolution" from 1966 to 1976, most of these foods were denigrated as "being enjoyed by a handful of people" and production was halted. Famous shops were closed and skilled, veteran workers maltreated.

In recent years, the people's government has adopted a series of measures to restore and develop skills for preparing traditional foods, which are part of China's cultural heritage. Some traditional foods and famous shops have already been revived. But investigations by the two organizations show present production cannot meet the increasing needs of the people's living standard. On the other hand, some foodstuffs being sold are traditional in name but not in quality or flavor, because the shops are short of skilled workers.

At a consulting meeting held in May of this year, the association and the federation suggested that the Communist Party Central Committee and the

State Council encourage collectives and individuals to operate traditional food establishments and practise a moderate price policy pegged to the quality of the food. They also called for training more technicians, establishing scientific centers for traditional foods, developing traditional techniques and improving equipment.

Zhao Ziyang welcomed what he characterized as timely, important and feasible suggestions. He said that the people's government will adopt measures to put them into practice.

A department of the State Council and the Chinese Food Association are now working on a plan to restore and develop the traditional foods so that overseas clients experience the gourmet's option.

Leaders of the association and the federation told XINHUA that the two organizations, which include many food experts, have established consulting services in over 30 cities to tap traditional techniques, train people and improve management.

To date, 22 old shops which are well-known for their home-made specialities have reopened, including "Liubiju," a shop making and selling sauce and pickles first built in 1530, and "Quansuzhai Restaurant," noted for its vegetarian dishes cooked in accordance with the recipes from the imperial kitchen of the Qing Dynasty.

A kind of steamed bread made of chestnut meal, a favorite of the Empress Dowager Ci Xi (1835-1908), is now available to customers at Fangshan Restaurant in Beijing's Beihai Park. The pot-stewed chicken from Baoding of Hebei Province, a favorite of Li Hongzhang, chief minister of the Qing Dynasty, has also restored production.

In Tianjin, production has expanded of a special kind of fried dough twist. After an absence of more than 20 years, preparation of "Shanghai ham," made of beancurd, has now been resumed with its traditional flavor. Tinned "Shanghai vegetarian ham," now being trial produced, will shortly be available overseas.

CSO: 4020/98

GENERAL

HAN PEIXIN VISITS LIGHT INDUSTRIAL EXHIBIT

OW070015 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 3 Jul 83

[Text] On the morning of 3 July Comrades Han Peixin and Shen Daren, secretary and deputy secretary respectively of the provincial CPC Committee, Gu Xiulian, provincial governor; Sun Han and Zhou Ze, deputy secretaries of the provincial CPC committee; and Luo Yunlai, member of the Standing Committee of the provincial CPC committee, visited the exhibition for appraising scientific and technological achievements and products of the Jiangsu provincial department of light industry.

The provincial CPC committee leaders visited 15 exhibition halls and earnestly inquired about some of the scientific and technological achievements and projects as well as about the quality of new products.

After visiting the ceramics exhibition hall, Comrade Han Peixin wrote the inscription "redouble efforts, improve product quality, provide more variety and increase competitiveness" to encourage cadres, staff members and workers on Jiangsu's light industrial front.

As they looked at prize-winning projects of young inventors in the science and technology exhibition hall, Comrades Han Peixin and Gu Xiulian said: This is good. It shows the wisdom and talents of young people. It is a trend that should be followed. You should keep up your efforts and organize, encourage and mobilize more young people to make inventions.

The provincial CPC committee leaders said: Through this exhibition, the province's light industrial departments should make great advances, changes and improvements, provide more designs and varieties of products and produce more brand-name quality products to satisfy the people's needs, better serve the domestic and international markets and contribute more to the four modernizations.

CSO: 4006/648



GENERAL

## XINHUA VIEWS REGULATION OF BUSINESS HOUSEHOLDS

OW021059 Beijing XINHUA Domestic Service in Chinese 1210 GMT 1 Jul 83

[Letter from XINHUA reporter Qiu Yuan: "It Is Necessary To Educate and Guide Individual Industrial and Commercial Households and Strengthen Management"]

[Text] Beijing, 1 Jul (XINHUA)--Individual industry and commerce have been developing very rapidly in the past several years. There are now more than 3.5 million individual industrial and commercial households throughout the country that employ more than 4 million people. They have supplemented the deficiencies in the state-run economy and are playing a positive role in enlivening the market, facilitating the flow of goods between the urban and rural areas, and making things convenient for the masses. From now on, areas with a small number of sales outlets and food and beverage, service, and repair trades should make vigorous efforts to develop more individual industrial and commercial households.

However, attention should be paid to some of the problems that arose when the number of individual households increased while industrial and commercial administration and taxation work failed to keep up with the development.

A salient feature of this situation is that the number of small retailers operating without a license has greatly increased since the beginning of this year. Some of them illegally bought up scarce goods from state-owned stores and then sold them at higher prices; some colluded with personnel of the state-owned commercial establishments or factories to illegally handle goods that are excluded from individual households; some people did not pay tax or fees, disobeyed management decisions and even beat up customers, and so forth.

These business activities are detrimental to consumers, the state, and economic development. Even though only a small number of people are involved, the impact has been very bad. Many consumers who are dissatisfied with this situation have asked the departments concerned to tighten control over individual industrial and commercial households.

To get a clear picture of this situation, this reporter has called on departments concerned and heard the opinion expressed by some cadres and the people. They put forth the following demands:

1. Steps should be taken to vigorously consolidate individual industrial and commercial households operating without a license. All those meeting the requirements will be issued a business permit and allowed to do business; those refusing to register or failing to meet the requirements will be resolutely banned. In the meantime, workers, staff members, and students are not allowed to engage in individual commercial activities.
2. Measures should be taken to strengthen tax revenue management relating to individual commercial households. It is reported in some areas that tax evasion involving individual commercial households has become quite serious and affects state revenue receipts. The Xian city industrial and commercial administrative department and the taxation department have scored excellent results in strengthening tax revenue work by working in close coordination. Their experience should be popularized.
3. Individual commercial households should fill their stocks through the proper channels; they are not to make illegal purchases from retail stores. Since the retail stores directly serve the consumers, they cannot fill "big orders" placed by individual commercial households nor are they allowed to collude with their own people and outsiders to illegally sell goods for a profit.
4. In order to achieve a healthy development of the individual economy, industrial and commercial administrative departments in various localities should exercise control in accordance with the actual prevailing conditions. In areas with few commercial outlets and individual commercial households, more individual commercial households should be duly encouraged. In areas with too many individual commercial households, the issuance of licenses should be restricted and they should be directed toward operating food and beverage businesses and offering services and repairs, which are needed more by the masses.
5. The association of individual laborers is an organization of individual industrial and commercial workers who govern, educate and serve themselves. This type of organization should be perfected and further developed.

Some cadres and people interviewed by this reporter thought that we must uphold the policy to protect and support the legitimate business operations by individual industrial and commercial households. Illegal business operations are curbed in order to protect legitimate business operations and to promote more healthy development of individual industry and commerce. Therefore, efforts to tighten control over this area will be supported by individual industrialists and businessmen.

CSO: 4006/659

GENERAL

BRIEFS

YANGTZE DELTA STATISTICS NETWORK--Shanghai, 30 June (XINHUA)--A statistical information network was inaugurated on Tuesday at Shaoxing, Zhejiang Province, to promote development of the projected Yangtze River Delta economic zone. The zone will include Shanghai, China's biggest industrial city, and parts of two adjacent provinces, Jiangsu and Zhejiang. It will cover ten cities and 57 counties in the Yangtze River Delta, which now accounts for one-fifth of China's industrial output and a quarter of its total revenue. The new network, jointly formed by statistical bureaus of Shanghai and nine other cities in the zone, will provide information about the area to be covered by the economic zone to help government departments draw up development plans. [Text] [Beijing XINHUA in English 1618 GMT 30 Jun 83 OW]

CSO: 4020/97

## HONG KONG MEDIA ON CHINA

### PRC PLAN TO PRESERVE HONG KONG PROSPERITY DISCUSSED

HK050757 Hong Kong HSIN PAO TSAI CHING YUE KAN in Chinese No 76, Jul 83  
pp 31-31 [as printed]

[Article by Li Ting-yao [2621 1694 3852]: "China To Apply Economic Means to Preserving Hong Kong's Prosperity, Plans Logistics for Its Hong Kong Strategy"]

[Text] The professional instinct of a reporter is to "dig for" news. The news about which the people of Hong Kong have been most deeply concerned in the past several months has been the future of Hong Kong. For this reason, the reporters of 19 Chinese and English newspapers in Hong Kong paid a visit to China at the end of May 1983. (Members of the "Hong Kong journalists delegation" were from the following newspapers: WEN WEI PO, TA KUNG PAO, HSIN WAN PA CHING PAO, SHANG PAO, TSAI CHING JIH PAO, TUNG FANG JIH PAO, MING PAO, [word indistinct] PAO, HSIN PAO [2450 1032], HUA CHIAO JIH PAO, HSING TAO JIH PAO, KUAI PAO, TIEN JIH PAO, CHUNG PAO, SOUTH CHINA MORNING POST, HONG KONG STANDARD, STAR AND HSIN PAO [0207 1032]. (The Hong Kong branches of ZHONGGUO XINWEN SHE and XINHUA NEWS AGENCY each sent a reporter to join the delegation.) Most of the members hoped, through this visit, to know more about the latest developments of the issue of Hong Kong's future.

During the delegation's visit, China was preparing for the opening of the Sixth NPC at the same time, Britain was intensively making preparations for its general election. It was speculated that the Sino-British negotiations would soon come to the stage of "close combat" and, at such a sensitive time, important news might be obtained in Beijing at any second. Members of the delegation were in a "state of war" and dared not lower their guard.

However, at a gathering of the members before the delegation departed for Beijing, Han Li [7281 0500], deputy chief editor of the Hong Kong branch of the XINHUA NEWS AGENCY poured cold water on them, telling them that the Beijing authorities would not talk with the delegation about the 1997 issue because China's stand and principle had been clearly explained and were

already known to all. Though somewhat discouraged, the journalists still hoped to obtain astonishing news in Beijing. It was not until they started gathering news in Beijing that they realized that the officials were speaking along the same lines and did not want to elaborate on China's relevant policy. With regard to the negotiations, they had no comments to make because both the Chinese and British sides agreed to keep them secret.

#### Invariable Trend Toward Communism, Moderate Attitude Toward the Negotiations

There were two reasons why Beijing adopted this attitude. First, the substantial negotiations between China and Britain would soon begin. Beijing had from the very beginning hoped to apply a moderate method in solving the problem about Hong Kong's future, so as to avoid harming the relations between the two countries. Since China had made clear its stand, an appropriate attitude at this moment was to keep silent as far as possible so as to avoid arousing the dissatisfaction of the British side. Second, Beijing did not want to create the impression that the Hong Kong reporters came to Beijing to hear instructions and that Beijing had used them to transmit its ideas and to stir up confrontation between the two camps.

Though Beijing refused to make comments, the Hong Kong reporters would not let the matter drop. They seized every opportunity to inquire about China's concrete measures concerning Hong Kong's future, and spared no effort to achieve this end, hoping to squeeze out a tiny bit of news.

On the morning of the first day of their activities in Beijing, Wang Yi [3768 2253], vice chairman and concurrently executive secretary of the All-China Journalists Association, told them that as the Sino-British negotiations were about to begin, it would be inappropriate to go any further on the problem of Hong Kong's future and, for this reason, their itinerary would be rearranged so that they would focus attention on the progress of China's economic reform and look at the changes that had taken place in China since the 3d Plenary Session of the 11th CPC Central Committee held in 1978.

The reporters were highly optimistic about the meeting with deputy secretary general of the State Council, Yuan Mu [5913 3668], to be held on the afternoon of the same day. They expected to hear news from this high-ranking official of the State Council about the future of Hong Kong. However, he seemed to be more cautious than Wang Yi. In his speech, he immediately focused on China's economic development in the past few years. He talked for 3 hours without a break. His speech was well-organized and informative. However, he did not mention a word about the future of Hong Kong.

After he had finished speaking, the representative of the Journalist Association who was presiding over the meeting said that Yuan Mu would not answer questions because there was not enough time. The Hong Kong reporters could not let this opportunity slip. Eventually, less than 10 minutes was spent in answering questions, which naturally centered around the future of Hong Kong.

Asked whether Hong Kong's prosperity is invariably linked with the capitalist system, Yuan Mu said: The link is not absolute. China may also attain economic prosperity in the future by practicing socialism. Being a communist, he believes that all societies, whatever systems they follow, will eventually move towards communism. However, this course of development should be in accord with the [words indistinct]. It must not be imposed on the people, and attention should be paid to seeing whether the people are willing to accept it or not. Actually, similar mistakes were made in the past.

The "invariable trend towards communism" is of course Yuan Mu's personal theoretical concept and absolutely does not represent a policy or line. However, this idea may also reflect that high-ranking officials may be more or less affected by ideological factors when they consider concrete problems concerning policy, such as the problem of [phrase indistinct] editor of RENMIN RIBAO, the next day was an opportunity to inquire into Beijing's policy on the future of Hong Kong because the paper is the mouthpiece of the CPC and a senior member of its editorial department definitely knows more than anyone else about the intentions of the central authorities.

However, when dealing with this sensitive question, Tan Wenrui also spoke along the same lines--no comment to be made at the present stage. A reporter posed an indirect question by asking how he, as an expert on international issues (he is editor of the international page of RENMIN RIBAO), would analyze the Sino-British negotiations and the diplomatic relations between the two countries.

To our surprise, he commented on this question. He said that China's attitude toward Britain was rational and sensible and China had taken Britain's interests into consideration, that China would not confront Britain as Argentina did, and that whether the Sino-British negotiations would meet difficulties depended chiefly on the attitude adopted by Britain. His speech once again showed that China would adopt a moderate attitude toward the negotiations.

Written Statement Says Special Policy on Hong Kong Will Be Unchanged for a Long Time

The reporters had obtained nothing although they had been in Beijing for 2 days. They became impatient but could do nothing. They racked their brains for fresh ideas. In the evening, a few of them were in Beijing Restaurant having dinner with a certain reporter stationed in Beijing. The latter said that one who wants to gather news in Beijing should, as a fisherman casts his net, continuously ask different departments questions, in the hope of catching a fish by chance, although most of such attempts were futile. The reporters were enlightened by his experience. They realized that if they raised questions in the name of the journalists delegation, they might get unexpected results, and there would be no harm even if their questions were unanswered. Going back to their hotel, they put forth their opinion, which was agreed on by the majority of the delegation. Immediately, they drafted

seven questions--chiefly on the namelists of negotiators and the progress of the negotiations--which were handed over, through the Journalists Association, to the "responsible person of the quarters concerned." (The reporters decided not to write down the name of the department to which these questions were addressed, so as to avoid embarrassing the Chinese authorities.)

The questions were submitted on the morning of 28 May. Contrary to our expectation, we received a written reply from the "quarters concerned" on the same day. The text of the reply follows.

"The following is the reply from the quarters concerned to your question:

"The Chinese side adopts a positive attitude toward the Sino-British negotiations which are in progress. It is our hope that the negotiations will come to satisfying results. We have no comments to make on the negotiations at present.

"We consistently hold that Hong Kong is a part of Chinese territory and it is imperative to recover sovereignty over Hong Kong. After China resumes its sovereignty over Hong Kong, Hong Kong will become a special administrative district of China and be administered by its local people. It will practice a series of special measures, including an unchanged social economic system and an unchanged way of life, to maintain its prosperity and stability. China's policy on Hong Kong as mentioned above will remain unchanged for a long time.

"With regard to whether the Sixth NPC will elaborate on Article 31 of the Constitution, the NPC has not been held yet and you will know about that before long."

Superficially, there was nothing special in the contents of the written reply. However, a careful study reveals that there was food for thought.

1. This was the first time the Chinese officials formally received and delivered a written statement on the future of Hong Kong. Before that, the Chinese leaders only gave oral statements to foreign visitors on China's principled stand. These oral statements were never released by the government news agency.

2. The words "After China resumes its sovereignty over Hong Kong" clearly indicate that China will also recover the rights to administer Hong Kong when it recovers sovereignty over Hong Kong. In other words, this written statement has negated the plan that "China recovers sovereignty and Britain continues to administer Hong Kong."

3. It was stated in the reply that "China's policy on Hong Kong is mentioned above will remain unchanged for a long time." Probably, this was also the first time the long-term maintenance of the "special measures for Hong Kong" was asserted in such a positive tone.

4. With regard to whether the Sixth NPC would discuss the provisions of the Constitution on the special administrative districts, the reply adopted a "suspensive tactic," making one guess that the forthcoming NPC would indeed touch on this problem but probably would not work out specific laws and provisions. As a matter of fact, according to informed resources in Beijing, the Sixth NPC will preliminarily discuss the problem of Hong Kong and Macao and the "rules and regulations for the special administrative districts" and, most likely, the content of the discussion will not be announced.

The reporters delegation had gathered some news at last. One of the delegation members likened the reporters to hungry wolves which can be fed any food, and they were quite satisfied with this written reply. To our surprise, the Chinese authorities had further news yet to be released. During the latter part of our visit, the Chinese officials, on their own initiative, told us that China would take "appropriate measures" to help Hong Kong maintain its prosperity. This greatly surprised us.

#### Attaining Political Ends by Adopting Economic Means

The interview with Dai Jie [2071 2638], director of the Import and Export Bureau of the Ministry of Foreign Economic Relations and Trade, was an impromptu one arranged for the purpose of learning about trade relations between China and Hong Kong. The bureau was formed by merging a few offices in charge of import and export. It is responsible for the overall planning of the import and export business of a number of companies under it. In particular, it handles China's trade with Hong Kong and Macao and directly supervises the China Resources Company in Hong Kong. So, it is an organ with considerable power.

Referring to the development of trade between China and Hong Kong, Dai Jie, on his own initiative, disclosed an important trend in China's economic policy toward Hong Kong--China not only conducts trade with Hong Kong but also plans to invest in Hong Kong's industry and cooperate with Hong Kong businessmen in setting up factories for processing China's export goods.

He cited three examples. The Qingdao brand of beer may be brewed and bottled in Hong Kong for export; China may assign some famous brands of cement to be produced for export by the China cement factory of Hong Kong; China may transport clothing materials to Hong Kong for making high and medium-grade clothes in garment factories jointly operated by Chinese and Hong Kong investment, so as to sell the clothes in the international market.

China's comprehensive investment in Hong Kong's industry is no longer a fantasy. The authorities concerned have started concrete study and planning in this connection. The China Resources Company under Dai Jie's charge has been instructed to negotiate with Hong Kong businessmen on the feasibility of cooperation in various forms. He said that investment in Hong Kong may be diversified and China will consider any investment which benefits the export of Chinese commodities, is conducive to China's modernization program and, still more important, helps maintain economic prosperity in Hong Kong.



To sum up, China's concept is to attain the political end of stabilizing Hong Kong by economic means and at the same time to use Hong Kong's special conditions to promote China's economic development.

There may be a hypothesis behind this concept. China has sufficient financial resources for "propping up" Hong Kong's industrial production. Even if the political change causes economic dwindling to a certain extent, such as partial withdrawal of funds, and as long as the industry does not crumble and production does not stagnate, it will still be possible to stabilize the economic situation and, when the investors have regained confidence in Hong Kong's economy, the funds will naturally flow back to Hong Kong.

Mao Zedong laid down the formula "The enemy advances, we retreat; the enemy retreats, we advance" in guerrilla warfare. The above-mentioned policy toward Hong Kong may also be called an economic strategy characterized by the formulation "The enemy retreats, we advance," which means taking the initiative in preventing the emergence of a fatal fluctuation in Hong Kong's economy. The reason is that economic dwindling may seriously impede the political transition in China's recovery of Hong Kong. This strategy is superior to the policy of "keeping the system unchanged, maintaining prosperity" which was put forth some time ago. This is no longer an empty commitment but means taking concrete action to preserve the investors' confidence in Hong Kong's economy.

Chinese Premier Zhao Ziyang said at the Sixth NPC: "China will adopt appropriate measures to maintain the prosperity of Hong Kong." What are the "appropriate measures?" Presumably, one of the "appropriate measures" is that China will invest in Hong Kong's industry and cooperate with Hong Kong businessmen to achieve co-prosperity.

Shanghai's 'Patriotic Construction Corporation' Shoulders Heavy Responsibilities

After leaving Beijing, the journalists delegation paid a 2-day visit to Changzhou, an industrial city in Jiangsu, and then went to Shanghai, China's biggest industrial city. While in Shanghai, we spent most of our time having informal discussions with the "new Shanghai faction" responsible for the foreign economic work and liberal minded economists, but the last item on our program was a meeting with Shanghai Mayor Wang Daohan. These people put forward various plans for investing in Hong Kong with the aim of "supporting Hong Kong and helping it to preserve its prosperity." Obviously, this was derived from the same concept as the plan disclosed by Dai Jie. They wanted to carry out the same long-term economic policy by different and specific means.

The first person to talk with journalists from Hong Kong on the question of investment there was a responsible person of the "Patriotic Construction Corporation" formed by former national capitalists in Shanghai. The deputy manager of the company, Yang Chenxun, said that they were making preparations

for the setting up of a branch company in Hong Kong and that they were planning to utilize the ample funds at their disposal to "set up some factories" in Hong Kong as well as to join in investments in "other aspects."

This company has a capital of 57 million yuan (about HK\$200 million), deriving entirely from the property, shares and salaries returned by the government to these national capitalists. Yang Chenxun said: Its capital will be constantly increased. It also has quite a lot of foreign exchange at its disposal. If necessary, it can obtain credits from state banks.

Although the company is a nongovernmental company, it perhaps cannot act quite independently in a country where there is not a clear distinction between politics and economy. Inevitably it will coordinate with the economic policy of the state. It is believed that the latest task of this company is to strengthen joint investment with Hong Kong businessmen and to carry out the above-mentioned concept.

Liu Jingji, director and general manager of the company, and noted textile entrepreneur in modern times, had visited Hong Kong with the Shanghai economic delegation at an earlier date in an attempt to open up relations with the "Shanghai faction" in Hong Kong's industrial circles. It is believed that such contacts will be continuously strengthened in the future.

Another company which talked with the Hong Kong journalists delegation about their investment plan is more important than the "Patriotic Construction Corporation." It is the "Shanghai Investment and Trust Corporation" which operates under the Shanghai Municipal Government. It has a registered capital of 100 million yuan (about HK\$360 million), and can obtain the support of funds from the Shanghai branch office of Bank of China at any time.

In recent years, this company has carried out numerous extensive plans with Chinese-foreign investment. For example, it has jointly set up the "Joint Marine Petroleum Engineering Corporation" with the (European-Asian-American Engineering Corporation) in the United States, which has a capital of US\$100 million, which will primarily be used in manufacturing a marine oil extraction platform. Moreover, the company also cooperated with a British firm in setting up China's biggest sheet glass plant in Shanghai with a joint capital of more than US\$100 million.

This company, possessing enormous strength, also plans to invest in Hong Kong. The deputy general manager of the company, Zhang Xiaojun, said that they were making active preparations for investing in Hong Kong, primarily in industry, and that their tentative plan was to set up a textile mill and an electronic instrument plant. He said that they were meeting Hong Kong businessmen to talk about the question of joint investment.

The number of Hong Kong directors on the board of directors of the company has increased from 4 to 11, and includes Tang Hsiang-chien, Chiu Te-ken, and Wang Kuan-cheng. About a month ago, the general manager of the company,

Xu Pengfei, came to Hong Kong where he also held an informal discussion meeting with its directors in Hong Kong on how to strengthen the economic relations between Shanghai and Hong Kong.

According to Zhang Xiaojun, some directors of the company are disposed to join in the plan for developing the Minxing industrial area in Shanghai and have put forward some specific proposals. Developing along these lines, the company will soon become a "transcity corporation" spanning Shanghai and Hong Kong simultaneously making investments in the two most developed industrial and commercial cities in Chinese territory.

On the second day of its visit to Shanghai, the Hong Kong journalists delegation strongly felt that Shanghai would employ its solid economic strength to shoulder the heavy responsibility of "supporting Hong Kong in preserving its prosperity." The method it will adopt is to form an "economic community" with Hong Kong and attain the aim of "common prosperity" through coordination and cooperation and through mutual utilization of the other party's favorable factors.

On the last afternoon of its visit to Shanghai, the Hong Kong journalists delegation had an interview with Shanghai Mayor Wang Daohan. His talk at the meeting clearly pointed to the orientation of China's concept.

#### China Has Both the Principles and Methods To Be Put Into Practice

Wang Daohan talked about the long-term relationship between Shanghai and Hong Kong on his own initiative. He said: It is Shanghai's idea to combine or make contacts with various trades and professions in Hong Kong and to support Hong Kong in preserving its prosperity." In his opinion, the relationship between the two cities will be closer after 1997. At that time, "if the relationship between the Chinese mainland and Hong Kong is handled in a satisfactory way, Hong Kong will be more prosperous than it is today."

Wang Daohan's "wishful thinking" was as follows:

--This pair of cities should jointly develop industry in order to expand the base of Hong Kong's production and to develop high-technology industry. The continued development of industry will assuredly stabilize the economy and bring along the development in the finance, estate, and service trades so that the possibility of political turmoil can be reduced to a minimum.

--Shanghai can utilize Hong Kong's good infrastructure, high production efficiency, and export network to improve the quality of its products and expand its exports.

--Shanghai can utilize Hong Kong's status as an international financial center to raise funds, import foreign capital, and raise the effect of its foreign trade.

--Hong Kong can utilize Shanghai's heavy and chemical industries and obtain the necessary raw materials and fuel to solve some problems in its industrial production.

It was obvious that Wang Daohan was confident about the methods for "preserving the prosperity of Hong Kong." Therefore, he did not agree with the argument that the free economic system is a "prerequisite" for the long-term prosperity of Hong Kong. He held that so long as Hong Kong expands its production and trade, its prosperous situation can be preserved.

As a party member, he naturally should not absolutely affirm the role of the free economic system. Nor should he take a skeptical attitude toward the conviction that "the socialist society will be more prosperous than the capitalist society in the future." However, judging from his "long-term plan," China no longer talks about "keeping the system unchanged and preserving the prosperity" as an expedient measure but energetically puts forward the argument of "preserving the prosperity of Hong Kong with appropriate measures."

I think my visit to the north with the journalists delegation was a most rewarding one. Beijing announced some of its long-term plans which have a strong bearing on the future of Hong Kong.

Obviously, Beijing has been aware that the pledges alone (either the oral or written ones) are insufficient to reassure the public or to preserve the economic stability of Hong Kong. For this, it is imperative to have specific actions and methods.

Some people have criticized Beijing by saying that on the Hong Kong issue it "has principles but not methods." This criticism is incorrect. As a matter of fact, Beijing has started formulating methods for taking over Hong Kong. However, whether these methods can work or not should be tested in practice.

A question worth further exploration is why China has placed Shanghai, this particular "chessman," in the "board game" of the future of Hong Kong. To answer this question, it is first of all necessary to observe Shanghai's current economic strength as well as its potential for development in the future.

Shanghai is the biggest industrial city in China. Its gross value of industrial production in 1982 totaled 63.6 billion yuan, ranking first in China, and accounting for 11 percent of the gross value of industrial production of the whole country. There are more than 8,000 factories throughout the city. After the Baoshan Iron and Steel Works and the Jinshan Chemical Engineering Plant go into production, Shanghai will become a base for China's heavy industrial center. When the Baoshan Iron and Steel Works goes into production in 1985, its annual steel output will account for 10 percent of the nation's total.

Shanghai is also China's financial and foreign trade center. In 1982, the financial revenue of the whole city accounted for 15 percent of the nation's total, and its export trade accounted for about 20 percent of the nation's total exports.

Due to Shanghai's solid economic base and great potential for development, the central authorities recently adopted various measures to "add vigor" to Shanghai and speed up its development; at the same time, they are making use of Shanghai to bring along the economy of its surrounding areas and to make the whole area rich before giving attention to other areas.

First, the State Council made a decision in May this year on expanding Shanghai's decisionmaking power in the economy, which primarily included: 1) Expansion of its power in utilizing foreign funds; 2) expansion of its power in importing technology from foreign countries; 3) expansion of its power in conducting foreign trade; and 4) giving further scope to the function of Shanghai port as a hub in foreign economic exchanges.

At the same time, the State Council also decided to set up the "Shanghai economic zone" with Shanghai Municipality as its center. This zone includes 9 cities and 57 counties in Jiangsu and Zhejiang Provinces. It has an area of some 40,000 square kilometers and a population of about 40 million people.

Shanghai, Guangdong and Hong Kong Form an Iron Triangle Spanning North and South and Linking China and the West

The "Shanghai economic zone" can be regarded as economically the most developed area in China. In 1982, the gross value of Jiangsu's industrial and agricultural production, not including that of Shanghai, exceeded [figure indistinct] billion yuan and ranked first among the various provinces, municipalities directly under the central government, and the autonomous regions.

It has been learned that the State Council has formed a "Planning Office," the members of which include officials from 11 ministries and responsible persons of the relevant departments of Shanghai Municipality and Jiangsu and Zhejiang Provinces. The office is drawing up a blueprint for the development of the "Shanghai economic zone."

Some "small economic zones" are now emerging one after another from the "big economic zone." At present, some medium-sized and small cities, such as Changzhou, Suzhou, Wuxi and Nantong in Jiangsu Province, are carrying out local administrative reform. The "prefectures" between the provincial and county levels have been abolished and the counties in the surrounding areas have been placed under the direct jurisdiction of cities. Serving as centers, the cities bring along the economic development of the surrounding rural areas. In other words, with these cities serving as centers, "small economic zones" will be established, and will serve as links for the "Shanghai economic zone."

The future situation will be as follows: Shanghai Municipality will bring along the entire zone and the medium-sized and small cities will bring along the rural areas so that the economy in the Changjiang delta area can speedily develop.

China's possible conception is that, with its huge economic strength, the area will ensure in some degree the prosperity of Hong Kong, if it is linked closely with Hong Kong, and each utilizes the favorable factors of the other party, and promotes the other; Hong Kong can serve as an outlet for this economic zone in developing its foreign economic relations.

Recently, China also began deliberating on the question of designating the Zhujiang delta, another fertile area in China, as the "Zhujiang delta economic zone" with Guangzhou as its center.

There may be two possible developments for this:

1. Hong Kong will replace Guangzhou as the center of the "Zhujiang delta economic zone" and, working in concert with the "Shanghai economic zone" in the north, will bring along the development of the whole country.
2. Guangzhou will still be the center of this economic zone. The two economic zones simultaneously utilize Hong Kong's special conditions as a "converging point" for conducting foreign economic relations and trade and for importing technology and funds. At the same time, the two most fertile areas in China will employ their strength to preserve the prosperity of Hong Kong.

In any case, Hong Kong will certainly serve as a very important link in China's economy as a whole. If the Chinese leading circles have finally determined the feasibility of the above-mentioned development plans, China will be more confident in regaining sovereignty over Hong Kong as scheduled.

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TAIWAN

BRIEFS

SUAO HARBOR CONSTRUCTION--Suao, 1 July (CNA)--After 9 years of hard work by the Red-Ser Engineering Agency, VACRS, the construction of Suao Harbor, a fine natural harbor in northeastern Taiwan, was formally completed Thursday. The construction of the commercial part of the harbor, which was started on 1 July 1974, was divided into two stages. The first, aimed at handling an annual cargo capacity of 2.76 million tons, was completed at the end of 1978. The second stage, which was completed Thursday, will boost the harbor's annual cargo capacity to 6.41 million tons. Costs of the construction totaled NT dollars 7.9 billion. The major objective of this harbor is to alleviate the burden on Keelung Harbor and to promote the development of the nearby Lanyang area. [Text] [OW050403 Taipei CNA in English 0253 GMT 1 Jul 83]

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